

# CURRENT HISTORY

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## The People's Republic of China, 1985

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# Current History

SEPTEMBER, 1985

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*How far-reaching are the economic reforms in China? Are there corresponding changes in the political sphere? These and other questions are discussed in this issue. Our lead article assesses the modernization campaign's effect on China's relations with the United States. "China needs the United States to introduce it further to the world of complex interdependence. . . . In terms of trade, defense, education and international cooperation, America needs China as much as Beijing needs Washington."*

## The United States and China in the New Balance of Power

BY THOMAS W. ROBINSON

*Professor of International Relations, Georgetown University*

**B**y mid-1985, the United States and China had experienced a decade and a half of progressively improving relations. The two countries had first agreed on the necessity to face, "in parallel," the common threat from the Soviet Union. They had gone on to work out the political basis for restoring their own diplomatic relations, agreeing on how to remove, temporarily, the Taiwan issue as the principal impediment before them. They had then worked out a series of economic, technological and cultural agreements to place on firm footing their reciprocal needs for trade, investment, technology transfer, educational training and mutual cultural cooperation.

They had begun to work out details of a security arrangement, including the sale and transfer of military technology and broad, if still diffuse, agreements for maintaining the peace in Asian hot spots, like Korea, cooperating in the support of groups actively opposed to Soviet imperialism, like the Afghans, and opposing the regional expansion of states allied with Moscow, like Vietnam. Finally, they had cemented their ties by a continuing series of state visits: four American Presidents visited China and three top post-Maoist leaders came to the United States.

Much of this opening out of relations—state-to-state and "people-to-people"—was based on solid and rational national interests and on the changing character of the domestic situations in the two countries. For the United States, the period represented the chance to end the long years of estrangement that began with the establishment of Communist rule in Beijing in 1950: to utilize Chinese

power in the great global contest of power against the Soviet Union; to draw China out into the American-led world of industrial and cultural interdependence so that China could never again slip back into dangerous isolationism; and to play an important role in the pace and direction of Chinese modernization once that country had definitely decided to undergo the several revolutions under that rubric. For China, the 15 years provided an opportunity to add a portion of American military power to its own against the possibility of Soviet attack; to move ahead in its quest to recover Taiwan, which only the United States could arrange; to find out from America what the modern world had become since China voluntarily left the international system in 1966; and to gain access to American and other Western markets and the associated technology, capital, and institutions that are vital to the success of China's modernization.

In these 15 years, both sets of China's goals were met in almost every regard. The Russians did not attack. The United States and China cooperated to maintain the peace in Asia and to keep the Soviet armies at bay. Trade rose from near zero to over \$5 billion per year. Investment, technology transfer, educational and cultural opportunities, and a flow of military know-how all showed major growth and promised to reach even higher levels. China made rapid progress toward modernization and, in the process, accepted an unprecedented degree of international interdependence. Only in regard to Taiwan was there no real change; although since 1982 Beijing had not pressed the United States on the issue and even came to regard the island as a kind of model-in-emulation (thus



the American goal was met but not the Chinese). It was clear that a combination of frustration-impatience and a need to test the water could quickly bring the question to the fore.

Both countries could, however, congratulate themselves and each other on having solidified a once tentative relationship and could look forward, presumably, to another 15 years of even closer ties. The content of American-Chinese relations might shift, it is true, from a balance of anti-Soviet security concerns and pro-development economic cooperation to one drained at least partially of the need (at least on China's part) to fend off the Soviet leaders and to concentrate, therefore, almost exclusively on economic concerns. The question would become whether the benefits flowing from trade, investment and cultural interchange would make up, in American eyes, for the Chinese leadership's new laissez-faire attitude over the expected intensification of American rivalry with the Soviet Union.

Part of the newly emerging equation is the length to which Beijing will go in restoring ties with Moscow—even if only for economic development purposes—and whether that will contribute, at each step along the way, to exacerbating American-Soviet military competition. At some point, voices will surely be raised in Washington asking what the United States is obtaining, in the security realm, for all its costly transfers to China of American economic, technological and educational largess. The answer may be positive—that the game is still worth the candle—so long as the Chinese are not foolish enough to flaunt their newly restored ties with the Soviet Union and so long as their public attitude toward the Americans continues to be positive.

Given the quarter century of Sino-Soviet discord, few expect anything close to the restoration of security ties between Beijing and Moscow. Rather, it seems likely that China will continue to lean toward the United States in the strategic triangle, at least enough to continue the defense insurance policy that America has written in China's regard and to keep up the flow of goodies from the United States. Still, there are disturbing signs and trends that American policymakers will have to consider. First, and perhaps foremost, is the political situation in the two countries.

In Beijing, the first post-Mao succession appears to be imminent if China's *de facto* leader, Deng Xiaoping, goes through with his promise to accompany his old generation colleagues into retirement following the Chinese Communist party's September, 1985, conference. Although Deng could still wield power from behind the scenes, much as he has in the decade since Chairman Mao Zedong's death, it will be much harder to do so in view of the onrush of "younger" successors coming into office and Deng's own advanced age. The central political question for China will remain open until his successors are firmly in office and have conclusively demonstrated their own policy direction. Will no-nonsense pragmatism

continue to rule, no matter where it takes the country, or will there be a reaction to the extreme changes of the post-Mao decade, especially the changes of the early 1980's?

Little is known of the "real" attitudes of the immediate successor generation—the Hu Yaobangs, Zhao Ziyangs, Li Pengs, and so on—to say nothing of those farther down the line but rising fast. A good case can be made that a conservative reaction of some severity and duration will probably follow Deng's demise. There are, after all, many groups throughout China who are either not sharing in the newly created wealth or who can make an excellent ideological case against the pragmatic anti-Mao revolution.

If China's past is any guide to its future, new leaders will work out new policies and the country's foreign policy will follow closely the nature and the direction of its domestic politics. Time will tell, of course, but a policy of caution on the part of American policymakers is probably advisable, even in light of enormous recent successes in American-Chinese relations.

Even in the United States, it is possible that domestic political changes could greatly affect Washington's China policy. Domestic political issues, like protectionism and abortion, could spill over into foreign policy. Human rights issues, always a factor in American foreign policy, could affect relations with China. Congressional and presidential elections could catch up China-related problems, like Taiwan, spy revelations, or the transfer of too sophisticated technology. The American people might tire of the media saturation of television specials and series on China, and a mood swing of public opinion might result. If the United States becomes involved in a military conflict, say in the Persian Gulf, and China attempts to take advantage of temporary American inattention to Asia to advance its cause vis-à-vis Taiwan, a swift turnaround of both public opinion and policy could occur. While these possibilities might seem far-fetched in mid-1985, the course of American foreign relations clearly indicates that, as in China, domestic developments in the United States heavily influence attitudes and policies toward other countries.

### THE TAIWAN DILEMMA

Second, the Taiwan question is bound to come back into prominence at some point. Beijing will surely feel that forward momentum should be resumed, merely on general principles, and may also conclude that, unless pressure is renewed, untoward developments on the island combined with too long a hands-off policy may make recapture either impossible or too costly. With a Hong Kong agreement in hand (and one on Macao sure to follow), can renewed activity vis-à-vis Taiwan be far behind?

Internal changes in Taiwan seem to support mainland concerns. The island has prospered mightily during the Deng era, thanks to the several agreements with the

Americans to keep Beijing at bay, to general world economic prosperity, and to domestic political stability. Chinese calculations that Taiwan would fall into its lap like a ripe apple have proven wrong. American support for autonomy has not dissolved. Taiwanese nationalism is rising, even to the point where the ruling Kuomintang is contemplating a Taiwanese as its new leader. The military situation is no better, so far as the mainland is concerned, because of slow Chinese military modernization, the persistence of the Soviet threat, heavy American military sales to Taipei, and domestic Taiwanese production of many modern weapons of war. There is more social and political harmony on the island than at any point since establishment of Kuomintang rule in 1945.

What can be done? Beijing is clearly in a dilemma. If it sounds the drums of war, however distantly, it risks straining the American connection. Nothing could be worse, given the widening inflow of resources from the United States and its allies. Washington could, moreover, point to the August 17, 1982, communiqué, quoting Chinese promises to refrain from the use of force (the pledge was not made quite so openly: Beijing traded off implicit promises to that end for the American commitment gradually to reduce its arms sales to Taipei). Washington could even read out the Taiwan Relations Act, which more directly links peace in the Taiwan Straits area with American interests and also specifically mentions that an economic blockade is, in American eyes, impermissible. Or, if Beijing did threaten militarily, Washington could renew its supply of high-technology hardware to Taiwan, enabling Taipei to construct an up-to-date air defense system, which would make any invasion extremely costly. In extremis, it could even remove its strictures on Nationalist Chinese construction of nuclear weapons.

If, on the other hand, Beijing sits back and does nothing, it could well see Taiwan slip from its grasp. Economically strong, militarily defensible, popularly governed, internationally participant (Olympics, Asian Development Bank, high tourist flows), Taiwan would not only be difficult to incorporate by force into China but would probably find added support throughout Asia. And if the Asian balance of power were not evolving in China's favor and if the Americans discover that Taiwan is a kind of democracy and a piece of real estate increasingly valuable if kept out of Communist hands, Washington may well find a reason to revamp its Taiwan policy. It could place Taiwan in the category of "freedom-loving" peoples with whom Americans ought to feel akin, or it could remove Taiwan from the list of those unfortunately unresolved leftovers of the Chinese civil war set aside in the face of more important American interests on the mainland.

States, like people, either live with dilemmas or try to break out of them. It is doubtful that China will choose to live with the Taiwan dilemma if it concludes that to do so means losing the island forever. While it is probably true

that, by the mid-twenty-first century (say, when Hong Kong is due finally to return to Chinese rule), Chinese power will be so great that taking the island, even by force, would be a comparatively costless operation, China may not want to wait so long. Prudence itself dictates that steps should be taken to change the underlying parameters. So a new thrust is merely a matter of time. Already in mid-1985 rumblings of the threat of an economic blockade have been heard from high Chinese officials.

More specifically, Beijing could at least try to put into effect a two-pronged offensive. On the one hand, since the way to Taipei lies through Washington, the Taiwan question would have to be raised with the Americans. That is tricky business, given China's dependence on the United States in many areas. But careful, tentative moves could be made to link a further rise in American-Chinese trade with a corresponding decline in trade with Taiwan. That could (hopefully) enlist American business, or most of it, as allies of China and could put pressure on Washington. Pressure could also be brought on Washington to decrease substantially its level of annual military sales to Taipei so that a downward slope would be plainly evident and an endpoint would be in sight. That could be claimed to be merely in line with the 1982 agreement. Finally, a search could be undertaken for small changes at the periphery of American-Chinese relations that, when totaled, would constrict Washington's freedom of maneuver over Taiwan, even if only slightly. To restore momentum, to make "progress" on the Taiwan question, would become a constant condition of friendly American-Chinese relations.

On the other hand, since other Asian states also continue to deal with Taiwan in all but the diplomatic and military spheres, perhaps tightening the screws a few turns may be in order. One possibility concerns South Korea, the only Asian state that still recognizes Taipei. For some time, Beijing has been approaching Seoul, conducting unannounced trade of up to \$1 billion per year, talking directly with South Korean officials when the occasion demands (as in hijackings, mutinies, defections), allowing South Korean citizens to travel to China, participating in Asian sports and other meetings along with Seoul in each other's cities, pledging to attend the 1986 Asian Games and the 1988 Olympics in Seoul, and playing a positive role in lessening the military confrontation between South and North Korea. In other words, Beijing has amassed some chips in Seoul that, at the proper time, it could try to cash in.

Elsewhere in Asia, China can condition continuing good relations with many states on favorable movement concerning Taiwan. Many states trade with both Chinese entities and an increasing number invest in China and conduct a broad spectrum of cultural, sports and educational interchange. As in the American case, Beijing could insist that further development of these ties would depend on a gradual curtailing of similar relations with Taipei. If the action were taken piecemeal, potential

objections would presumably be minimized. Asian states would calculate that Taipei counted for less, and the mainland more, in regional affairs, and that Taiwan would return to China eventually, so why fuss?

It is thus to be expected that China will return to the fray and will try to turn the Taiwan situation, if slowly, to its advantage. If momentum were restored, the pace would quicken. Acceleration having been accepted as the norm, Asian support for the American position would perhaps dwindle and the stage would be set for the final negotiations. The Kuomintang, perceiving its isolation, would have to capitulate.

The likelihood of such an outcome is reasonably small unless the third trend disturbing the mid-1985 tranquility in American-Chinese relations gathers increasing force in the years ahead. China cannot hope to attain its international goals unless it provides itself with the raw power to demonstrate assertively its right to a commanding place in the Asian and global arenas. In other words, it must use its new power, the product of its modernization drive, to force a change in the regional and world balance of power in its favor, and to push its way into the councils of the mighty. To be sure, the constant Chinese refrain is that China will never become an imperialist state like the United States and the Soviet Union, that it is a new kind of state which, despite enormous power, eschews its use or threat. But however pious and well-meant this statement is, it is exceedingly unlikely that China can or will continue to repair to its own self-appointed standard. Beijing cannot—and in the end will not desire to—avoid the iron law of international relations, i.e., that a nation's range of interests expands in consonance with the growth of its power. To the extent that by the turn of the century China is successful in becoming the strong and powerful state that Prime Minister Zhou Enlai forecast at the beginning of the modernization drive, to the same extent Beijing will find new interests, farther from its boundaries. The expansion of interests and therefore the degree of involvement commensurate with national power are what imperialism is all about. And a state that, relatively suddenly, appears on the regional or even the global scene upsets the balance of power ("other things being equal") and is always called an imperialist by the others. So it was with Britain, France, Germany, the United States, and Russia in their time and so it will be with China during the last part of the twentieth and the first portion of the twenty-first century.

It is only a question of how China will use its new-found power. Aside from Taiwan, the country has few territorial ambitions—some islands in the South China Sea, a few hundred square miles of disputed mountains and river islands on the Sino-Soviet border, perhaps in the very long run Mongolia. It is more important to make sure that every power equilibrium in the three regions surrounding China be formed with Chinese participation, and that no change be made without Beijing's consent. This means including China in any settlement of the

Kampuchean question (for that would determine the balance in Southeast Asia), the Afghan-Pakistani-Indian imbroglio (which would do the same for the South Asian balance), and the Korean question (Korea being the center of power politics in northeast Asia). Already in the mid-1980's there were signs of Chinese interest in each of these issues. Such signs will multiply henceforth. Of even greater importance, perhaps, is the acceptance of a Chinese element at the level of global politics, i.e., the strategic triangle. Beijing wants it known that no future American-Soviet agreement or arrangement can be made or made to last without Chinese participation. That is what Beijing's pronouncements about the various superpower arms control negotiations are all about, and that is why they will also escalate in number and tone.

Finally, China clearly desires an area of the world that it can call its own, not in the sense of a sphere of influence—although Southeast Asia will eventually become that—but a geographic area and a group of nations that will look to China as its natural leader. The only candidate is, of course, the third world. And much of Chinese diplomatic activity is already being devoted to currying favor with those states (for example, the Group of 77, the "South," and the Organization of Petroleum Exporting Countries).

In sum, then, China has already started down the road of imperialism and will try to cover a fair distance before the century is out. And it is in the business of acquiring the means for making the journey successful. It has already done a reasonable job in the military sphere and is seeking from the Americans and others transfer of the requisite military technology, sample hardware, and techniques to complete the process of military modernization. Not only is it upgrading the training and the equipment of the ground forces, but it is also laying in the necessary investments for a global nuclear force (both land- and sea-based, if not yet air), and for power projection across the high seas.

Further, China possesses the potential for rapid expansion of other important elements of power. Even in the mid-1980's, its economic development is converting into a strong trading nation and it will soon make weight felt in international economic institutions. It utilizes foreign aid, technological assistance and military sales and transfers as instruments of policy. It has strong cultural policy, what with its attractive cuisine, arts, and a natural audience among the Sino-oriented states of Asia and the overseas Chinese community throughout the globe.

*(Continued on page 281)*

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*According to this Chinese scholar, "some policymakers in the Reagan administration are still inclined to play China as a 'card'. . . . But China will not allow anyone to play the China card. . . . [However,] the fact that no strategic relationship exists between China and the United States is no obstacle to Sino-American political dialogue."*

## Assessing United States–China Relations

BY JIA-LIN ZHANG

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**T**HE development of Sino–American relations over the past four years has not been easy; there have been twists and turns. Given the international situation and the differences of opinion among various United States interest groups, United States President Ronald Reagan did not carry out his 1980 campaign pledge to upgrade the United States relationship with Taiwan. Instead, at some cost in political support from the conservatives, he was forced to take several moves to improve Sino–American relations. As a result of both Chinese and American efforts, the first term of the Reagan administration saw a broad improvement of relations in the political, economic and cultural fields, as well as growing communication between the Chinese and American people.

The stumbling block for Sino–American relations is the Taiwan Relations Act of March, 1979, approved soon after the establishment of diplomatic relations between the United States and the People's Republic of China. In this legislation, United States policymakers were trying to stabilize and promote political and economic relations with China; at the same time, they wanted to enhance substantive relations with Taiwan under an "unofficial" name in an attempt to make Taiwan a political entity that could be controlled by the United States and could thus prevent the reunification of China. All frictions and crises in Sino–American relations stem from this act.

The issue of arms sales to Taiwan is an unsolved problem. According to the Taiwan Relations Act, the United States would continue to sell Taiwan "defense articles and services." In view of the resolute opposition from the Chinese, a moratorium on arms sales to Taiwan was adopted by President Jimmy Carter in 1979. But arms sales were renewed in 1980.

Since he took office in 1981, President Reagan has favored the sale of advanced fighter planes to Taiwan. At the same time, high-ranking officials of the State Department indicated that the United States would consider selling dual-use technology to China on a case-by-case basis in return for China's acquiescence in American arms sales to Taiwan. Serious negotiations were under

way between China and the United States in Beijing throughout October and November, 1981, to try to resolve the issue of arms sales to Taiwan.

Policy differences within the administration were also reported. Secretary of State Alexander Haig, Defense Secretary Caspar Weinberger, Central Intelligence Agency Director William Casey and the Joint Chiefs of Staff opposed an F-5G sale to Taiwan, while National Security Adviser Richard Allen and White House staffer Michael Deaver expressed their approval.<sup>1</sup> Finally, on January 11, 1982, the State Department announced that "no sale of advanced fighter aircraft to Taiwan is required" and that "Taiwan's defense needs can be met . . . by the extension of the F-5E coproduction line in Taiwan."<sup>2</sup>

Continuing arms sales to Taiwan obviously violate the principles of the communiqué on the establishment of Sino–American diplomatic relations. According to the communiqué, the United States recognizes the People's Republic as the sole legal government of China and declares that the people of the United States will maintain cultural, commercial and other unofficial relations with the people of Taiwan. After establishing diplomatic relations with China and acknowledging that Taiwan is part of China, the United States should have automatically suspended all arms sales to Taiwan.

China's Foreign Ministry lodged a strong protest against the extension of the F-5E coproduction line in Taiwan. On August 17, 1982, China and the United States reached an agreement after 10 months of negotiations. The United States reiterated that it has no intention of interfering in China's internal affairs or pursuing a policy of "two Chinas" or "one China, one Taiwan." Regarding the United States arms sales to Taiwan as an issue left over by history, the Chinese government has agreed to settle the problem step by step. The United States agreed that its arms sales to Taiwan would not exceed, either in qualitative or in quantitative terms, the level set since the establishment of Sino–American diplomatic relations, and promised that arms sales to Taiwan would be gradually reduced. But on the same day, President Reagan linked the issue with the Taiwan Relations Act and declared that arms sales would continue in accordance with that act. This statement clearly violated

<sup>1</sup>*Newsweek*, January 18, 1982, p. 8.

<sup>2</sup>*Department of State Bulletin* (Washington, D.C., February, 1982), p. 39.

the word and the spirit of the August 17 communiqué.

Thus the August, 1982, joint communiqué did not lead to a final solution of the arms sales issue. But it broke an impasse by stipulating several goals, and it reduced the tension in bilateral relations. It is worth noting, however, that the total dollar amount of United States weapons sales to Taiwan in 1983 was huge and apparently exceeded the ceiling of previous years. The Reagan administration justified this total on the questionable grounds of "adjusting for inflation." It is not clear, however, what the inflation rate for military weapons was in 1982 or in the preceding years and how the price and inflation rate for arms were decided (the inflation rate announced by the United States Commerce Department in 1982 was only 3.9 percent).

### A SHIFT IN EMPHASIS

The hurdles that arose between China and the United States seemed to have inspired the Reagan administration to reshape its China policy. One important step in that direction was the reaffirmation by the administration that Japan, not China, was the centerpiece of United States strategy in the Asian Pacific region. This shift in emphasis was stressed by President Reagan on February 23, 1983. In a speech to the American Legion in Boston, the President said that "the United States-Japanese relationship remains the centerpiece of our Asian policy."<sup>3</sup> In the spring of 1983, Secretary of State George Shultz and Assistant Secretary of State Paul Wolfowitz delivered speeches downgrading the strategic importance of China and upgrading the place of Japan in United States Asian policy.

These statements, which were widely viewed by the American and foreign press as a "new course" in Asian policy, seemed to mark a shift in United States policy in Asia from the notion of a strategic triangle to an emphasis on ideology. There is "a new far-reaching turnabout in U.S. Pacific policy," according to the *Chicago Tribune*, "that has downgraded Peking's importance and shifted strategic emphasis to Japan and other non-Communist allies."<sup>4</sup> The *Far Eastern Economic Review* noted that Shultz's speech "represented a quiet counter-revolution against the 'triangular tradition' which has dominated Washington's Asian policy since Nixon's opening to China."<sup>5</sup>

In an effort to deemphasize China's role, the Reagan administration subsequently undertook some moves unfavorable to the bilateral relationship, including unilateral restrictions on Chinese textile exports to the United States; obstruction to restoring China's seat in the Asian Development Bank; and the increase of arms sales to

Taiwan. As a result of these activities, for the first half of 1983 Sino-American relations were rather sour.

From any realistic point of view, the administration's new focus on Japan and its deemphasis of China were not very successful. In the light of global strategic interests, several influential officials from the administration advocated the need to promote Sino-American relations, to remove the unstable elements in these relations, and to oppose the deemphasis of China's role. Nor was Japan enthusiastic over this new Asian policy. According to the Japanese press, there was a deep concern that the shift of emphasis toward Japan would increase United States pressure on Tokyo to expand its military forces, exacerbating tensions on defense and trade issues.

The second half of 1983 also saw increased tensions in United States-Soviet relations, because of the shooting down of a South Korean airliner by the Soviet Union, the deployment of American medium-range missiles in Europe, and the mounting crisis in Central America. These developments seem to have upset the Reagan administration's plan to redirect its Asia policy. During the same period, the administration took several steps to improve its ties with China. The issue of technology transfer to China was to a certain extent resolved in June 1983. Meanwhile, China was placed in the category of friendly, nonallied countries. This decision was followed by a compromise agreement on textile trade and by Secretary of Defense Caspar Weinberger's visit to Beijing in September, 1983.

The visit of Prime Minister Zhao Ziyang to the United States in January, 1984, and President Reagan's visit to China in April, 1984, made a significant contribution to cooperative relations between the two countries. During the 1984 presidential campaign, the question of Sino-American relations did not become an issue between President Reagan and Democratic presidential candidate Walter Mondale.

China's independent foreign policy was reaffirmed at the twelfth congress of the Communist party of China in September, 1982. It is not true to say that China is seeking a position of "equidistance" from the two superpowers. China opposes any state that pursues hegemonism and expansionism. On the Afghanistan and Kampuchean issues, for example, both China and the United States oppose the armed invasions by the Soviet Union and Soviet-backed Vietnam. However, the United States has met with opposition from both China and the Soviet Union in its support for Israeli aggression and for the racist regime in South Africa.

Since taking office, Mikhail Gorbachev, the Soviet General Secretary, has indicated that he wants significant improvements in Sino-Soviet relations. The Chinese government has responded with a similar aim. Some senior United States officials are reportedly concerned over this development, fearing that any change in Sino-Soviet relations would affect Sino-American relations.

In fact, an improvement in Sino-Soviet relations w

<sup>3</sup>*Washington Post*, February 23, 1983.

<sup>4</sup>*Chicago Tribune*, July 31, 1983.

<sup>5</sup>See Richard Nations, "A Tilt Toward Tokyo," *Far Eastern Economic Review*, April 21, 1983.

<sup>6</sup>See Nayan Chanda, "Superpower Triangle," *Far Eastern Economic Review*, April 4, 1985.



not affect relations between China and the United States. The Sino–Soviet dispute was originally ideological. But it was the Soviet government that decided to expand ideological disagreements into state-to-state relations. Since the early 1960's relations between the two countries have been extremely abnormal. Although they retained embassies in each other's capitals, they suspended political, cultural and academic exchanges, and maintained only a low level of trade.

There have been substantial differences in their foreign policies. Nonetheless, China and the Soviet Union, the states powers with the longest common border in the world, should have normalized their bilateral relations to lessen the possibility of military conflict in Asia. The consultations between China and the Soviet Union that began in 1982 at the deputy foreign minister level are continuing. While the main obstacles have not yet been eliminated, both China and the Soviet Union have begun to revive economic, cultural and other communications. The value of their bilateral trade reached \$1,200 million in 1984, a record level over the past 20 years.

The United States need not worry about an initial thaw in Sino–Soviet relations. If the Soviet Union were ready to meet China's three-point proposal (no Soviet support for Vietnam's occupation of Kampuchea; the withdrawal of Soviet troops from Afghanistan; and the reduction of Soviet troops along the Chinese border to their pre-1965 level), then Sino–Soviet relations could be normalized, and this would be a great contribution to establishing peace and stability in the Asian Pacific region. Moreover, the United States maintains normal state-to-state relations and negotiates with the Soviet Union on various world issues; why should China not improve its relationship with the Soviet Union? At this writing, however, there has been no fundamental change in Soviet–China policy since Gorbachev took office.

Washington's anxiety with regard to the prospects of Sino–Soviet détente reflects the fact that some policy-makers in the Reagan administration are still inclined to play China as a "card." In the eyes of some American analysts, China can be used as a counterweight to the Soviet Union to pressure Soviet leaders to be more compliant in talks with the United States. But China will not allow anyone to play the China card. Rather than being dependent on Sino–Soviet relations, Sino–American relations should have an intrinsic positive value in their own right. In fact, among the incidents that have strained Sino–American relations in the past few years, not a single case has had any direct relationship with Sino–Soviet relations.

For its part, China welcomes improved relations between the United States and the Soviet Union. In terms of the logic of the triangular relationship, it seems that any alliance or conflict between any two parties would be detrimental to the third, and the improvement of relations between any two parties would be beneficial to the third.

There are no strategic relations between China and the United States because of the difference between the foreign policy objectives of the two countries. As a developing socialist country, China is most interested in a long-standing, peaceful international environment for the purpose of realizing every nation's modernization. The United States, as a superpower, has global interests; it maintains a military presence in many regions of the world, and contends with the Soviet Union for overall superiority. Thus the strategic goals pursued by China and the United States are obviously divergent. China cannot agree with some aspects of United States foreign policy—for example, United States policy in the Middle East and Central America; the United States attitude toward North–South relations, and so forth. Notwithstanding these differences, China and the United States have no fundamental conflicts and actually share certain views on issues like Kampuchea and Afghanistan. The fact that no strategic relationship exists between China and the United States is not an obstacle to Sino–American political dialogue.

In assessing Sino–American relations during the first term of President Reagan, several lessons should be noted. First, the principles embodied in the three United States–China communiqués should be observed. Among the factors influencing Sino–American relations, Taiwan remains the major issue. China takes the Taiwan issue seriously, because it bears on the nation's reunification, as well as on national sovereignty. Any action aimed at preventing China's reunification would hurt the national pride of the Chinese people.

The Taiwan Relations Act, in fact, is an attempt to pursue a "two-China" policy to its bitter end. It would be difficult, to be sure, to repeal the Taiwan Relations Act, but the United States government could reduce arms sales to Taiwan quantitatively and qualitatively in line with the August, 1982, communiqué. According to a statement made by the United States Department of State, however, arms sales to Taiwan are to be reduced only by some \$20 million in fiscal year 1985. This kind of "gradual reduction" obviously lacks sincerity, given the fact that United States arms sales to Taiwan would continue until 2020 according to this reduction rate.

The Chinese government has repeatedly promised that it will try to settle the Taiwan issue in a peaceful way. But this cannot become an international commitment imposed by any foreign country. How China settles the issue is completely a matter of China's internal affairs.

The resolution of Hong Kong independence under the  
(Continued on page 304)

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"By 1983 . . . the [average] Chinese had, finally, enough to eat. This is, of course, baogan's greatest achievement, although this average conceals the incipient affluence of Shanghai, Jiangsu, coastal Zhejiang, Guangzhou-Gosha and suburban Beijing. [However,] there are at least 90 million people, mostly in the northwest and the southwest who . . . still do not have enough to eat."

## Eating Better: Farming Reforms and Food in China

BY VACLAV SMIL

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**B**ECAUSE "food and eating are central to the Chinese way of life and part of the Chinese ethos,"<sup>1</sup> the misery of Chinese life during the two decades between the late 1950's and the late 1970's is easy to understand. Steel output was rising, nuclear weapons and intercontinental ballistic missiles were tested, the Soviet Union turned from an eternal friend to an aggressive hegemonist, President Richard Nixon, the paragon of despicable American imperialism, was regaled in Qiang Jiang's presence by revolutionary ballet, and Chinese leader Deng Xiaoping disappeared, reappeared, disappeared and reappeared again.

But all these momentous developments did nothing to sweeten the thin breakfast gruels, to bring in more fine wheat flour to steam tasty *mantou*, to make a flavorful chicken dish more than a once-a-year delicacy for hundreds of millions of people, or to turn a New Year's celebration into a real festival of eating from big bowls full of pork, chicken, fish, shrimp, vegetables and eight-treasure-rice.

In the mid-1970's, Chinese agricultural data became a bit more abundant. Thus it was possible to construct fairly representative food balance sheets and to find that per capita consumption in 1976 or 1977 was virtually the same as it had been in 1956–1958 and was just marginally higher than average food availability during the years

immediately preceding the start of the Sino-Japanese War in 1937.<sup>2</sup> The record looked impressive only when compared to the depths of the massive 1959–1961 famine, when per capita food availability sank to a mere 1,500 kcal a day. And the outlook, after two decades of campaigns, exhortations, slogans and boastful unrealistic goals (at that time the latest one called for mechanization of farming by 1980), was hardly promising.

Only a fundamental move could change those prospects. Such a move, sustained during its early faltering years and then intensified, was by far the most important development in China after Mao. The widespread diffusion of the household responsibility system (*baogan*) has brought unprecedented average food availabilities and has assured nutrition adequate to cover the basic growth and activity needs of a larger share of the population than at any time since 1949.<sup>3</sup>

The key to this revolutionary change (the obvious question: would Soviet leaders dare to move so boldly and so rapidly to return common sense to farming?) was the spectacular increase in productivity; not infrequently a few people in a specialized household now produce in a few months the equivalent of the annual communal command farming products of dozens of peasants.

Specialized households started with relatively small-scale, short-term contracting for grains, oil or sugar crops, pork, poultry or fish, but both the scale and the variety of their operations expanded rapidly after 1982 and by now it might be hard to come up with a task that cannot be contracted or a service that is not offered to satisfy huge pent-up rural demands. For the sustained food output expansion the newly offered agrotechnical consultancies that started in Sichuan in 1982 are especially important.<sup>4</sup> They consist of expert advice in selection of cultivars, timing and rates of fertilization and pesticide treatment or directions for cultivation of special crops (herbs, mushrooms) or breeding of domestic animals (chicken and rabbits are most popular) and fixed payments based on the cultivated area or on shares of annual income.

The policy of "letting peasants produce what they can

<sup>1</sup>Kwang-chih Chang, ed., *Food in Chinese Culture* (New Haven: Yale University Press, 1977), pp. 13–14.

<sup>2</sup>Vaclav Smil, "Food in China," *Current History*, vol. 75, no. 439 (1978) and Smil, "China's Food," *Food Policy*, vol. 6, no. 2 (1981). I have used scores of Chinese sources, ranging from papers in agricultural journals to Xinhua releases, in selecting the information for this paper, but only key references in readily accessible English translations are listed in the footnotes.

<sup>3</sup>For a brief but very informative description of *baogan* see Frederick W. Crook in *China: Outlook and Situation Report* (Washington, D.C.: U.S. Department of Agriculture, June, 1984), pp. 2–5.

<sup>4</sup>Sichuan and parts of Anhui were the first provinces where *baogan* started, rather inconspicuously, in 1979. See Vaclav Smil, "Sichuan: China's Quintessential Province," *Current History*, vol. 81, no. 9 (1984).

do best" has been an overwhelming success, and many achievements of this radically new approach can be listed. But the new policy has been accompanied by its share of problems. Most obvious is the inevitability of increasing income disparities<sup>5</sup> and, perhaps even more important, the "class" distribution of these benefits. There are no nationwide statistics about the makeup of these households, but the figures Deputy Prime Minister Wan Li cited from a survey in a Shanxi county are probably representative. Former managers and production leaders are heading slightly more than two-fifths of all specialized households; an identical share is held by educated youth and demobilized soldiers. Advantages of former position and education assert themselves very strongly—the common "skilled" peasants form merely nine percent of the county's specialized households.

Living standards are rising across the board but the formerly privileged households may be benefiting even more. If this experience applies more or less to the country as a whole, *baogan* must enjoy great support among the former cadres. This kind of support can be hardly expected during the proposed reforms in industrial enterprises, where many redundant bureaucrats will have to be dismissed if productivities are to rise. In any case, without specialized households (which, after all, only mark a return to time-honored comparative-advantage production on the basis of local specialization or personal skills) the rural reforms would not work and the figures in the following paragraphs would be as unimpressive as the comparisons of 1977 with 1957.

But before focusing on the gains in consumption of major foodstuffs, a few figures must be recalled about water, the essential nutrient whose availability most people in the rich countries take for granted. In China, the situation is different, and not only so far as the quality of drinking water is concerned. A 1983 national symposium on improving water quality in rural areas stressed the fact that while about 300 million people have benefited from acceptable water supplies from small waterworks and deeper wells, drinking water from rivers, pools, canals and ditches for some 500 million peasants, half of China's population, did not meet hygienic requirements.<sup>6</sup>

About 50 million people—five percent of the country's population—suffer from recurrent shortages of drinking water. In addition to the herdsman and peasants of the arid northwestern region, 3.8 million peasants suffer

chronic shortages in the mountains of Shanxi and Hebei and even in rainy subtropical Guangdong (where nearly a million villagers faced recurrent shortages in 1983). With spreading industrialization in the countryside (large enterprises in cities are much more likely to ensure the proper treatment of wastes) and with rising rates of nitrogenous fertilization, the water in China's densely populated coastal provinces is also increasingly contaminated with heavy metals, oils and nitrates, pollutants that can be absorbed directly by drinking or through the crops.<sup>7</sup> Clearly, this is a critical part of Chinese nutrition that has not been improving rapidly, if at all.

The only other exception to the rising trends among basic foodstuffs has been soybean production; soybean consumption is now far below the level of not only the late 1950's but even that of half a century ago. In 1936, China had, at 11.3 million metric tons (t), the still unsurpassed record harvest of soybeans, which prorated to some 22 kilograms (kg) per capita. During most of the 1950's soybean per capita output stayed above 15 kg but once it dropped below 10 kg during the 1959–1961 famine it never rebounded: in 1977 it was a mere 7.5 kg, in 1983 it rose to 9.5 kg but in 1984 it fell again to 9.36 kg. Moreover, the Chinese stopped importing soybeans (largely from the United States) by 1983, when they more than doubled their exports (mostly to Japan); and because nearly half the soybean crop has recently been used for oil, the actual availability of these high-protein legumes as food is now a mere 5 kg a year per capita, a negligible 13 grams (g) a day.<sup>8</sup>

In contrast, the larger pressings of soybean oil have been part of a most welcome post-1978 food supply improvement, which has seen a more than twofold increase in the availability of edible plant oils. For decades, the meager ration of cooking oils meant that urban per capita consumption remained mostly below 300 g a month even during the good years, while peasant consumption was negligible and lard remained the leading source of fat. But once the Maoist grain-first policy gave way to more balanced farming, areas planted in oilseeds zoomed and the total harvest of rapeseed, peanuts, sunflower seeds, sesame seeds, linseeds and castor beans grew from just 4 million tons in 1977 to 11.8 million tons in 1982. The next year saw a fall to 10.6 million tons but in 1984 the harvest rose to 11.8 million tons, which means that, together with oil from soybeans, about 4.5 million tons of vegetal oils are now available. As a result, the Chinese do not import American soybean oil anymore; the urban rations have about doubled; and special rations for festive periods have become much more generous.

The sugar story is very similar. With cultivation of beets and cane suppressed by the grain-first command farming, China's 1977 sugar output was 1.9 million tons lower than in 1965 and just marginally higher than it had been in 1957 so that, even with imports per capita, availability stayed below 2.5 kg a year. But by 1983 the northeast's sugarbeets and, more important, Guang-

<sup>5</sup>In 1978 the average peasant income in the richest province was exactly twice that in the poorest; by 1983 the difference rose to 2.17.

<sup>6</sup>Xinhua in English, *BBC Summary of World Broadcasts: Far East Weekly Economic Report (SWB)*, no. 1228 (March 23, 1983), p. 7.

<sup>7</sup>For much more on China's environmental problems see Vaclav Smil, *The Bad Earth* (Armonk, New York: M.E. Sharpe, 1984).

<sup>8</sup>The average American consumption of beans, peas and soybeans is now about 18 g a day, putting the country ahead of China and most poorer nations.



dong's and Fujian's sugarcane brought in 3.7 million tons of sugar so that with imports of 1.4 million tons (primarily from Cuba and Australia) the per capita availability rose to almost exactly 5 kg a year.

The other important food whose consumption made an impressive jump after 1978 is meat. Poultry production went up especially rapidly, but it still remains very small in comparison with red meat, whose output continues to be dominated by pork (about 94 percent of the total, with mutton supplying about two-thirds and beef one-third of the rest). In 1977, pork output was just 7.3 million tons but by 1980 210 million pigs with an average live weight of 89 kg were slaughtered and for the first time production surpassed 10 million tons. By the spring of 1981, the Chinese media was reporting the end of pork supply shortages as the output kept increasing. In the following years, as the average per capita availability surpassed 12 kg a year and approached 20 kg in large cities, pork rationing was gradually abandoned, only to be reinstituted in early 1985, in the wake of the country's record grain harvest.

This incongruity tells much about fundamental deficiencies of China's food production, especially its irrational pricing. The state-fixed prices made it unprofitable for farmers to breed and feed pigs because higher and easier profit could be realized by growing grain, keeping a flock of hens, weaving baskets or selling rabbit hair. The last example is most illustrative: selling one kg of angora rabbit hair to the state brought in 1984 a net profit of Rmb150 (renminbi, the "people's" currency), while by selling an average pig a farmer cleared merely Rmb40–50. Only where the pricing was more sensible, as in Sichuan, was there no need to return to rationing.

But even responsive pricing could not eliminate the incongruity of record harvests, grain rotting in the open, and acute shortages of quality feed. China has the world's largest number of pigs, but they are poor performers. In 1978 their nationwide take-off rate was a mere 54 percent; recently it rose close to 70 percent, but even so this means that an average Chinese pig needs about 17 months to reach slaughter weight, compared to about 7 months for a typical American hog. A large part of this huge difference can be explained by the energy loss sustained by tens of millions of rural Chinese pigs running around the villages and more or less fending for themselves—but even those confined to suburban piggeries perform poorly, because there is little properly formulated concentrate feed to turn them into efficient meat converters.

Although the production of compound feed has been growing rapidly—from a mere 1.1 million tons in 1980 to 4.5 million tons by 1983 (for comparison American output in the early 1980's was about 200 million tons a

year)—its share in 1983 was still only slightly more than ten percent of all grain fed to livestock.<sup>9</sup> Moreover, of about 10 million tons of high-protein oilseed cakes, more than half are used as a fertilizer instead of as feed. Current plans include the continued rapid expansion of the feed industry with capacities up to 120 million tons by the year 2000, but this will be a most challenging goal.

Finally, better, meaty breeds must be introduced to supplant the dominant fatty breeds. Even before the reimposition of pork rationing in 21 large cities in February, 1985, supplies of lean pork were far below demand—in privileged Beijing they made up a mere 1.4 percent of total sales—in spite of a large price difference. While a kilogram of standard pork—that is, an indiscriminately hacked-off piece of a lardy carcass—cost around two renminbi, lean pork retailed in private markets at up to Rmb3.80 (and a limited quantity of it is now available with coupons at Rmb2.92).

Development of a large-scale feed industry and the introduction of high-performance breeds are also the two critical requirements for expanding poultry production. The first-ever official disclosure of the Chinese poultry inventory put the total at one billion birds at the beginning of 1983 and average meat consumption at a mere 1.2 kg per capita a year (compared to about 30 kg in the United States). Nationwide production of milk rose 2.4 times between 1978 and 1983 (cow milk now accounts for 80 percent of the total), but this rapid expansion started from such a low base that it would take a further fifteen-fold increase to reach the current Japanese per capita consumption level.

Comparison with Japanese milk drinking patterns is most appropriate, because the Chinese could never aspire to European or North American levels even if their farming could support such large annual per capita production (between 80 and 150 kg of milk). Cultural aversion, that is, the association of milk drinking with the inferior pastoral invaders of the northern grasslands, is an obstacle not to be dismissed lightly. But the fundamental limitation on Chinese milk drinking is a very high frequency (in excess of 90 percent) of lactose malabsorption among the Chinese, a trait they share with the Japanese, the Koreans and the Vietnamese.<sup>10</sup>

In reality, hundreds of millions of Chinese never drink milk, sales of which are heavily concentrated in large cities where the per capita average is now around 10 kg a year and where the potential demand is far from covered. Even in Beijing, Tianjin and Shanghai, the three centrally administered cities, the current shortfall needed just to satisfy the demand for baby formulas and to supply young children is about 50 percent. And as with pigs and poultry, feed conversion efficiencies and the performance of dairy cows will have to improve if increased dairy production is to be economical. Cows supplying the capital averaged 3.27 tons of milk a year in 1978 but by 1982, as their numbers rose, their productivity actually dropped to 2.89 tons and the nationwide 1983 mean was

<sup>9</sup>C.L. Whitton, "Livestock," in *China: Outlook and Situation Report*, p. 11.

<sup>10</sup>F.J. Simoons, "The Geographic Hypothesis and Lactose Malabsorption: A Weighting of Evidence," *The American Journal of Digestive Diseases*, vol. 23, no. 11 (1978).

just 2.3 tons per animal, just two-fifths of the recent American mean.

The output of aquatic products went up by less than 20 percent between 1978 and 1984, reflecting the substantial increase of freshwater fish breeding and coastal mariculture, and the stagnation and even decline of high sea catches in badly overfished waters, especially in the East China Sea. Annual per capita fish consumption of around four kilograms conceals very large regional differences, ranging from once-a-year tasting of a few tidbits to sales of almost 30 kg a year in Guangzhou, a total not far from Japan's uncommonly high average.<sup>11</sup>

But neither fish nor poultry are, after pork, the second most important source of animal calories and protein: eggs are now ahead of both. Actual per capita consumption averages just three kilograms a year, that is, about one large egg a week (American consumption is now about 15 kg of eggs a year), which is more than three times as much as in 1977. It is here that the private market has made a rapid and large difference. Still, with about 15 kcal a day, eggs supply less food energy than lard—and, depending on the food balance-sheet conversion, all animal foodstuffs provide only five to eight percent of everyday nutrition.

## PLANT FOODS

In the countryside, where heavy work demands higher food inputs, peasants increased their average grain consumption by about five percent from (in unprocessed weight) 248 kg in 1978 to 260 kg in 1983, while in the better supplied cities grain consumption actually declined. However, in both cases the most important change has been qualitative. Chinese have always preferred well-milled rice and wheat flour, but for the country as a whole the proportion of these fine grains did not change between 1957 and 1978. Except for the famine years of 1959–1961, when coarse grains supplied an even larger share, about 60 percent of nationwide grain output was in rice and wheat, often milled less than the preferred norm, and among the peasants the ratio of fine-to-coarse grain in actual consumption averaged just 50:50 by 1978.

The subsequent change was so rapid that by 1982 even an average peasant family consumed 75 percent of its grain as milled rice or wheat flour, a ratio available only with privileged urban cadre rations a few years earlier. The move from “black” rice, cornmeal, millet and potatoes has been the most far reaching dietary change of post-1978 China. Rice and wheat now supply 60 percent of all Chinese food energy and coarse grains and tubers only one-fifth; it is safe to predict that if the reforms

continue, the coarse grain and tuber proportion will keep falling.

But China's grain reform is not running smoothly. The record 1983 harvest found the Chinese unprepared. In a country that is not rich by any measure, millions of tons of grain were left to rot. The existing storage capacity was rapidly filled and state purchasing agents had to beg peasants to store the grain at home for a fee in various makeshift arrangements. The situation was especially critical in Jilin, where the 1983 harvest was 44 percent above the 1982 level and where only 600,000 tons, out of the total 6.5 million tons purchased by the state, could be shipped to provinces in need.<sup>12</sup>

Chinese granaries are overwhelmingly small local storages, unable to accommodate annual increments surpassing ten million tons. Expansion of large silos is under way: between 1983 and 1987 grain storage capacity is expected to grow by 20 million tons, a 20 percent enlargement of the existing storage. Shortages of good quality steel and cement make this task difficult, but assuring the needed long-distance transfers from provinces with surpluses will be an even greater challenge.

In fact, in the case of Qinghai, the chronically grain-deficient province that has imported grain every year since 1949, limited railway capacities make it impossible to import enough grain to approach the per capita availability of the rich coastal provinces, and the Chinese have been recently stressing that the province must become self-sufficient. This is in direct contradiction to the general reform trend of reinstating sensible comparative-advantage farming, but it is only one of the broader uncertainties concerning China's cropping strategy.<sup>13</sup>

After 1979, more than 100 million peasants abandoned grain growing for a variety of specialized tasks when the country's farming was finally freed from the grain-first policy. Most official comments have been calling for further large-scale expansion of cash crop cultivation, animal husbandry, fisheries and forestry. However, several statements by the Ministry of Agriculture have recently warned that there can be no relaxation of grain production, that 80 percent of cropland must be devoted to grain crops, and that there should be no more switching to cash crops.<sup>14</sup> What some Chinese farming experts see as a fundamental cause of the country's poverty remains for others the key to further advance: the grain-first policy appears to be still a matter of contention, although its worst excesses (the filling of lakes, the conversion of grasslands and forests to gain local self-sufficiency) seem to be universally condemned and officially banned.

But the controversies surrounding grain policy are comparatively minor compared to the much needed but

*(Continued on page 273)*

<sup>11</sup>The Japanese annually consume 33 kg of fish per capita while the U.S. consumption is about 8 kg.

<sup>12</sup>“State Offer Saves Grain Surplus,” *Beijing Review*, vol. 27, no. 9 (1984).

<sup>13</sup>In spite of a shift away from grains, the area planted to cereals has changed very little: from 80.6 percent of total sown and in 1977 to 79.2 percent in 1983.

<sup>14</sup>Xinhua in English, *SWB*, no. 1272 (February 1, 1984), p. 8.

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**Vaclav Smil's** latest books are *The Bad Earth: Environmental Degradation in China* (Armonk, N.Y.: M.E. Sharpe, 1984) and *Energy, Food, Environment* (Oxford: Oxford University Press, in press).

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*"There have been few significant developments in the area of democratic reform [in China] during the last two or three years. . . . In fact, the party's preference is to encourage a depoliticization of society rather than to increase participation in politics. The message to the masses seems to be: concentrate on getting rich and forget about politics."*

# The Dilemmas of Political Reform in China

BY WILLIAM A. JOSEPH

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ON December 7, 1984, a front-page article in *People's Daily*, the official organ of the Chinese Communist party (CCP), startled readers in China and abroad with its observation that "We cannot expect the writings of Marx and Lenin . . . to provide solutions to our current problems."<sup>1</sup> This article, which affirmed the contemporary relevance of the "universal laws" laid down in the Marxist classics, was basically an admonition to party members to avoid a "dogmatic attitude towards Marxism" and to recognize that an ideology developed in the context of late nineteenth and early twentieth century West Europe and European Russia had to be adapted to the realities of China in the 1980's.

Many foreign observers pronounced the article a major step in China's abandonment of socialist theory and practice in its quest for rapid modernization.<sup>2</sup> The CCP, for its part, quickly issued a correction to the original article; the key sentence was amended to read, "We cannot expect the writings of Marx and Lenin . . . to provide solutions to *all* our current problems."<sup>3</sup> The implication of the correction was that many important policy questions could still be answered by relying on the wisdom in the old texts; in no way should the call for a more flexible attitude toward the interpretation of the writings of the founders of scientific socialism be construed as a renunciation of Marxism as China's guiding ideology.

\*Editor's note: Deng Xiaoping is the de facto head of state even though he does not hold a ranking position (he is chairman of the party and state military commissions). His power comes from his control of the policymaking standing committee of the Politburo.

<sup>1</sup>"Theory and Practice," *Renmin ribao* (People's Daily), December 7, 1984, in *Foreign Broadcast Information Service Daily Report: China* (hereafter FBIS), December 7, 1984, p. K1.

<sup>2</sup>See, e.g., William Safire, "Greatest Leap Forward," in *The New York Times*, December 10, 1984, p. A23, and Flora Lewis, "Peking's Good News," in *The New York Times*, December 11, 1984, p. A31.

<sup>3</sup>FBIS, December 10, 1984, p. K21 (italics added).

<sup>4</sup>For a general overview of political reform in post-Mao China, see Kenneth Lieberthal, "China's Political Reforms: A Net Assessment," in *The Annals of the American Academy of Political and Social Science*, vol. 476 (November, 1984), pp. 19–30.

<sup>5</sup>"The Decision of the Central Committee of the Communist Party of China on Party Consolidation," October 11, 1983, in *Beijing Review*, vol. 26, no. 42 (1983), Supplement, p. II.

The article that generated this incident was itself a significant example of the relative openness of Chinese Communist politics in recent years. At the same time, the CCP felt compelled to publish an addendum to the original text that in one word definitively specified limits to the ongoing reevaluation of Marxism–Leninism. This clearly reflected the dilemmas that the present party leadership under Deng Xiaoping\* confronts in its effort to carry out political reform as a complement to its program of dramatic economic change.

In addition to causing serious dislocation in the economy, the Cultural Revolution (1966–1976) also shattered the political system of the People's Republic of China (PRC). Chairman Mao Zedong's struggle against the alleged "capitalist roaders" within the party severely undermined the institutions of government, eroded the legitimacy of the party, injected a high degree of coercion and arbitrariness into political life, and reinforced longstanding patterns of factionalism and favoritism in Chinese politics. Within two years of Mao's death in 1976 Deng Xiaoping was able to consolidate his hold on power, engineer the promotion of loyal lieutenants, and embark on a bold series of reforms to remedy the ills of the Cultural Revolution and to set China on the path of sustained development. While economic policy has, from the start, been given paramount attention, political reform has also been on Deng's agenda.<sup>4</sup>

The continuing nationwide party rectification campaign dominated the political scene in China during 1984–1985. Rectification campaigns have been implemented by the Chinese Communist leadership from time to time since the early 1940's in order to overcome shortcomings in cadre "work style"; they have also been used to bring the rank and file into line with major shifts in party doctrine.

The current rectification campaign was officially launched in October, 1983. It is the latest installment of a more general process of party reform that has been in motion for several years and is intended to give more meaning to the democracy component of democratic centralism, tighten up membership standards, elevate younger leaders to responsible positions, and provide safeguards against personality cults and usurpations of



ower.<sup>5</sup> The principal targets of the campaign are those people who joined the party during the ten years of the Cultural Revolution and now constitute nearly half the CPC's total membership of over 40 million.

This generation of Cultural Revolution party recruits are suspect because they are perceived as bastions of leftist sentiment who may sabotage the process of economic reform out of ideological malice. They are also seen as poorly educated and too technically incompetent to provide the type of leadership required for the modernization drive. The rectification campaign is also seeking to sort out and expel party members who promoted factional violence or persecuted veteran cadres. The anti-leftist thrust of the campaign is clearly designed to eliminate a major hindrance to the implementation of Deng Xiaoping's reform program by removing key officials still committed to the Maoist vision.

Other targets of the rectification movement are the leftist sins of corruption, cronyism and bureaucratism that are said to infest the party. These maladies are traced to "the corrosive influence of decadent bourgeois ideology" that has crept into China as an undesired side effect of the otherwise correct "policy of opening to the outside world and enlivening the national economy"; they are also regarded as manifestations of "remnant feudal ideas" left from China's long imperial past.

The leadership is gravely concerned about the widespread tendency of party members to use their power to seek special privileges for themselves and to manipulate the new economic policies to the advantage of their families and friends. They are also alarmed by the lack of diligence and "revolutionary will" in some party cadres who have become accustomed to "eating three full meals a day yet doing no work."<sup>6</sup> The rectification campaign is intended to reinvigorate the spirit of hard work and selfless devotion to the cause of the people that is said to be the party's proudest legacy and the source of its past victories.

The process of rectification is to be carried out in stages over a three-year period that began in late 1983. The first stage, involving party organizations at the national and provincial levels, as well as in the military, was completed in early 1985. In the second stage, rectification is to be implemented at the county and prefectural levels, followed by a third stage reaching down to grassroots party organizations like those in the villages, schools and enterprises. Within each defined stage, the campaign also proceeds by steps, beginning with the studying of special-compiled documents elaborating the party's economic reforms, carefully chosen early writings by Mao Zedong

emphasizing self-sacrifice and discipline, and the recently issued *Selected Works of Deng Xiaoping*.

The next step involves examining the records of individual party members and employing the method of criticism and self-criticism to identify specific problems and assess attitudes toward the new line. The final component of rectification is the re-registration of all members; at that time, those found to have committed crimes or grave ideological errors will be denied readmission to the party.

The rectification campaign is, in many ways, the inner-party corollary of the extensive reform of China's bureaucracy that began in 1982. This "administrative revolution" has seen a streamlining of bureaucratic structures at all levels of government (e.g., the number of organs directly under the State Council has been reduced from 98 to 61), significant reduction of personnel (e.g., the number of ministers and vice ministers in the central government has been cut by 70 percent), and the promotion of younger, better-educated cadres to positions of increased responsibility (e.g., the average age of leading provincial officials has dropped from 62 to 55, while the college-educated proportion of the same group has risen from 20 percent to 43 percent).<sup>7</sup> Like this administrative restructuring, the goal of party rectification is to provide leaders who will support, not hinder, the process of economic reform, yet who will not take advantage of the new policies to enrich themselves.

But in the effort to realize this objective the rectification campaign has generated a major dilemma for the party. China's leadership has found it necessary to begin a crackdown against "unhealthy tendencies" among cadres. The focus is on officials who are profiteering from the liberalized economic system and involves a strict injunction that cadres are not permitted to engage in commerce or run enterprises as an adjunct to their official duties. The dilemma is that cadres are told that they must enthusiastically support the efforts of the masses to get rich, but must not yet seek to get rich themselves.<sup>8</sup>

Another goal of the rectification movement has been to get the message across that there are new limits on the scope of the party's functions. The party is now supposed to minimize its involvement in the details of administration and economic management. Rather it is to concentrate on setting and supervising broad policy directions, providing ideological and political leadership, and serving as an inspirational beacon to the rest of society. This all makes good sense since political interference in the economy is blamed for the lack of progress in the past. But what are the implications of such a redefinition of the party's role for the morale of current members and for future recruitment? What attraction does party membership hold in an era when economics, not politics, is clearly in command?

The rectification campaign is also accompanied by an effort to recruit new party members, particularly intellectuals. The hope is to heal the breach between the party

<sup>5</sup>Ibid., pp. I, IV.

<sup>6</sup>H. Lyman Miller, "China's Administrative Revolution," in *Current History*, vol. 82, no. 485 (September, 1983), pp. 270-274; and Hong Yong Lee, "Evaluation of China's Bureaucratic Reforms," in *The Annals of the American Academy of Political and Social Science*, no. 476 (November, 1984), pp. 34-46.

<sup>8</sup>"Let Others Get Rich Before Ourselves," FBIS, April 1, 1985, pp. K10-12.

and China's intelligentsia, a gap that widened steadily from the anti-rightist campaign of 1957 through the Cultural Revolution. The educational level of the party is abysmally low: only 4 percent of its members have a college education, whereas half are only primary school graduates or are functionally illiterate. Bringing more intellectuals into the party will raise the technical and administrative competence of the country's political leadership and bolster the party's prestige in the eyes of the general population.

The party is also making an effort to enlist newly rich peasants in order to give ideological legitimacy to their prosperity and to enhance their visibility as models of the success of the new line. As more intellectuals and affluent citizens join the party, tensions with older members, mostly workers and poorer peasants with little education, may well increase. Party members with any lingering radical sentiments may also find the party's changing social base ideologically unpalatable.

The final dilemma posed by the party rectification concerns fears that the campaign will degenerate into a massive purge. To counter such fears, General Secretary Hu Yaobang has said that, at most, only about 40,000 people would be expelled from the party; assurances have also been given that those accused of wrongdoing will be guaranteed due process and that the method of mobilizing the non-party masses to criticize party members that led to such violence in the Cultural Revolution would not be permitted.<sup>9</sup> Nevertheless, rectification has met substantial opposition from those who dissent from its anti-leftist bent or feel themselves threatened by possible sanctions. Despite the effort to set up impartial commissions to monitor rectification, the campaign is vulnerable to misdirection precisely because those leaders responsible for overseeing the movement in particular units are themselves frequently the principal targets.

### BUILDING CHINESE-STYLE SOCIALISM

The Chinese Communist party has, over the last year and a half, continued to pay attention to the question of the ideological implications of economic reforms. Party leaders are loosening the straightjacket of dogma that they feel hampered China's development during the last two decades of the Maoist era. Deng Xiaoping and his colleagues have also tried hard to ameliorate the ideological credentials of their modernization program. However far they go in modifying orthodox conceptions of socialist

<sup>9</sup>FBIS, July 19, 1984, p. D2; "Decision . . . on Party Consolidation," p. VII.

<sup>10</sup>Tong Gang, "Chinese-Style Socialism Misjudged," in *China Daily*, January 11, 1985, p. 4.

<sup>11</sup>Deng Xiaoping, *Building Socialism with Chinese Characteristics* (Beijing: People's Publishing House, 1985). Excerpts from this book are in FBIS, January 30, 1985, pp. K1-6.

<sup>12</sup>See, e.g., Su Xing, "Understanding China's Socialist System," in *Beijing Review*, vol. 27, no. 47 (1984), pp. 18-19; and "Circular of the [CCP] Central Committee and the State Council on Helping to Change the Face of Poor Areas as Soon as Possible," FBIS, October 11, 1984, pp. K22-26.

economic policy, China's leaders will not renounce Marxist theory altogether both because they remain personally committed to the core principles of the ideology and because a Leninist party is not about to undercut the legitimacy of its claim to rule by raising too many doubts about the veracity of its historical mission. Therefore managing the dialectical relationship between reform of the economy and reformulation of the ideology remains a major challenge.

The Chinese have insisted that the steps they have taken to promote economic development are not tantamount to the piecemeal adoption of a capitalist system. The return to household farming, the expansion of private commerce, the encouragement of enterprise competition, the spread of consumerism, and other measures intended to liberate productive energies make use of market mechanisms like supply and demand and the profit motive. But it is fervently denied that "the market is something peculiar to a capitalist economy"; rather, the market is said to serve a vital purpose in stimulating a socialist system—especially in a poor country like China, where the immediate task of the revolution is to improve the standard of living.<sup>10</sup> However, the market in China is to remain under strict control, with the result that China will not develop capitalism but a system based on "socialism with Chinese characteristics."<sup>11</sup>

Such a hybrid system is still fundamentally socialist for several reasons. First, the state-run and collective sector constitute by far the largest part of the economy. Its special Chinese characteristic is that it permits "diversified economic forms" like the agricultural responsibility system and private enterprise to coexist within the overall socialist framework. Chinese-style socialism also retains the primacy of central planning, even while loosening the scope of the plan and allowing room for market forces in regulating the economy. The reforms are also said to remain true to the ideals of Marxism because they do not allow the wanton exploitation that is part of capitalism.<sup>1</sup>

The goal of China's socialist modernization is not only to promote material well-being, but also to create a "spiritual civilization" in which citizens exhibit a high degree of patriotism, morality and discipline, value education and culture, and remain faithful to the ideals of communism. Together with the emphasis on building socialism with Chinese characteristics, the campaign to construct spiritual civilization reflects the leadership's attempt to give ideological coherence and impart a sense of direction to the great economic and social changes sweeping across China.

Such efforts at ideological synthesis have caused the party leadership considerable consternation. The dilemma of where to draw the line in deciding which parts of the ideology are outdated and which parts remain relevant is matched by the dilemma of identifying those aspects of capitalist society that can be introduced in China in the interests of modernization and those that are to be discouraged or excluded.

The issue of spiritual pollution was first raised in the fall of 1983. It refers to the appearance of ideas and behavior that reflect, according to Deng Xiaoping, the "decadent and rotten ideologies of the bourgeoisie and other exploiting classes." Spiritual pollution is condemned for undermining the "four cardinal principles" that are constantly invoked by the party to define the ideological limits of reform: all actions and policies are to be judged by whether they "keep to the socialist road . . . uphold the dictatorship of the proletariat . . . uphold the leadership of the Communist party . . . [and] uphold Marxism-Leninism and Mao Zedong Thought."<sup>13</sup>

Spiritual pollution is said to be seen in the spread of obscene and reactionary literature, vulgar and tasteless art, subversive political activity, extreme individualism, and corruption. Its source is traced both to the misuse of the new freedoms allowed under the reforms and to contamination from abroad. The campaign against spiritual pollution was initially sanctioned by Deng, but was quickly taken over by leftists in the leadership who saw it as an opportunity to challenge China's ideological drift to the Right.

After raising concerns about the advent of another Cultural Revolution and causing a wave of anxiety about the permanence of the reforms among intellectuals, prosperous peasants, and foreign investors, Deng moved to set sharp boundaries around the permitted targets of the campaign: the rural areas were excluded from attack, as were science and economic policy, while the applicability of the label "spiritual pollution" in the cultural sphere was greatly restricted.<sup>14</sup>

By early 1984, the campaign had pretty much run out of steam. Indeed, the leftists seem to have overplayed their hand with the spiritual pollution issue. The extremism of the early phase of the campaign provided an excuse for Deng Xiaoping's reform bloc to launch a media blitz calling for a "thorough negation" of the Cultural Revolution as a rebuff to those in any position of responsibility who harbored notions of promoting a radical critique of the modernization program.<sup>15</sup>

Nevertheless, the leadership as a whole continues to

affirm the original purpose of the anti-spiritual pollution drive. For example, Prime Minister Zhao Ziyang, in his report to the National People's Congress in May, 1984, acknowledged that the party had initially "failed to draw clear lines of demarcation" for the scope of the campaign and that consequently "some areas and units took inappropriate actions." However, he went on to commend the "notable results" that had been gained in opposing spiritual pollution and proclaimed that the movement was "an indispensable factor in the building of a socialist spiritual civilization and will continue to constitute one of our fundamental tasks for a long time to come." Hu Yaobang echoed similar sentiments in a major speech to the CCP Secretariat in February, 1985.<sup>16</sup>

The third area of political reform that has concerned the party is democratization. The Deng Xiaoping leadership recognizes that the lack of democratic safeguards in the political system was one of the major reasons why Lin Biao, the Gang of Four and, indeed, Mao Zedong were able to assume so much power during the Cultural Revolution. The leadership has expressed a commitment to improving "socialist democracy" in China, which is supposed to be a deeper and more profound type of democracy than that found in capitalist societies. Be that as it may, all forms of democracy share certain central ingredients, particularly mechanisms for making the rulers accountable to the ruled and the guarantee of basic civil freedoms that protect citizens from capricious incursions by the state and allow some scope for private conscience. Democratic reform is at once both the most critical and the most contentious arena of political change in China because it touches on the heart of the issue of the relationship between the party and the people; in other words, it raises the most central question of politics in any society: the distribution of power.

The Chinese Communist party defines itself as a "vanguard" organization leading the masses to build socialism and eventually to realize "a truly Communist social system" of greater abundance, equality, and cooperation.<sup>17</sup> But party members constitute only about 8 percent of eligible Chinese citizens over the age of 18. The dividing line between being a vanguard party closely tied to the people and an elite group that exercises dictatorial control over the rest of society is a very thin one. Rectification is one means of combating elitism and revitalizing the vanguard function of the organization; broader democratic reforms that reinforce the right of the people at large to express their political will are also essential measures for curtailing the arbitrary power of the party.

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<sup>13</sup>Deng Xiaoping, Speech at the Second Plenum of the Twelfth Central Committee, October, 1983, in *Issues and Studies*, vol. 20, no. 4 (1984), pp. 100–111; and Deng Xiaoping, "Uphold the Four Cardinal Principles," March 30, 1980, in *Selected Works of Deng Xiaoping* (Beijing: Foreign Languages Press, 1984), p. 172.

<sup>14</sup>An Zhiquo, "Ideological Contamination Clarified," in *Beijing Review*, vol. 27, no. 7 (1984), p. 4.

<sup>15</sup>See "We Must Thoroughly Negate the Cultural Revolution," FBIS, April 23, 1984, pp. K1–2, for the article that kicked off this campaign.

<sup>16</sup>Zhao's remarks are in *Beijing Review*, vol. 27, no. 24 (1984), Supplement, p. II; Hu's are in FBIS, April 15, 1985, pp. K12–13.

<sup>17</sup>*The Constitution of the Communist Party of China*, in *Beijing Review*, vol. 25, no. 38 (1982), pp. 8–21. See also John Wilson Lewis's classic work, *Leadership in Communist China* (Ithaca: Cornell University Press, 1963).

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*In Hong Kong, "the goal for China and for Britain is government of the fat cats and by the fat cats, but not so assertive as to give China indigestion, nor so subservient that it will catch pneumonia every time the ideological winds blow cold from Beijing. . . . Nevertheless, under almost any circumstances Hong Kong will be for most of the next decade the freest place in Asia. . . ."*

# Hong Kong and China: A New Relationship

BY WILLIAM H. OVERHOLT

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**I**N September, 1982, China demanded the eventual return of Hong Kong to Chinese sovereignty and engaged in heated rhetorical exchanges with British Prime Minister Margaret Thatcher. This argument coincided with a downturn in the world economy and the peaking of a cycle in Hong Kong's property market; thus it precipitated the collapse of the property market, a decline in the Hang Seng stock index from 1400 to 700, a weakening of the Hong Kong dollar, capital flight, the near-disappearance of local investment, and huge lines of panicky people trying to get visas at Western embassies.

Despite their rhetoric, the British and the Chinese shared a deep interest in the success of their negotiations. Thatcher's image as a competent "iron lady" could have been destroyed by the collapse of Hong Kong, the last major British colony and the world's third largest financial market. Had the negotiations failed, China's economic development program would have suffered a significant setback. China's de facto leader, Deng Xiaoping, would have faced increased political opposition, and any chance of persuading some Taiwanese of the wisdom of negotiating with Beijing would have been lost.<sup>1</sup>

From late 1982 through the summer of 1983, Britain stuck to its efforts either to maintain sovereignty after 1997 or to retain an administrative role. While Britain honored an agreement to keep quiet about the negotiations, China engaged in petty sniping and delivered various ultimatums. In September, 1983, this precipitated another crisis. There was a run on the Hang Lung Bank (which the government subsequently took over) and on four Macao banks. The Hong Kong dollar's exchange rate with the United States dollar went to HK\$9.50, and the overnight interest rate on the Hong Kong dollar went

to 41 percent. On September 24, the Hong Kong and Shanghai Bank faced such a severe demand for United States dollars that it had to wake the head of a major United States bank at 2:00 a.m. and have dollars airfreighted to Hong Kong from all over the world.

For most of the following year, the visa lines remained long; the currency remained weak; and local investment remained negligible. A severe January, 1984, taxi strike highlighted the risk of aimless rioting, and political leaders from the New Territories spoke privately of using violence to send a message to Beijing. All this shook both parties and led to more sober negotiations.

After the crisis, the British privately conceded sovereignty and gave up hope for a post-1997 administrative role; Foreign Minister Sir Geoffrey Howe made this decision public in the spring of 1984. Meanwhile, Beijing promised to maintain Hong Kong's capitalist social system and to allow Hong Kong to administer itself except for military and foreign affairs. By early summer 1984, both sides had semipublicly committed themselves to the basic points of the agreement that was concluded in September, 1984.

Britain and China shared the basic goal of maintaining Hong Kong's existing system, particularly its capitalist prosperity, after 1997. They disagreed as to the form an agreement should take. China preferred an agreement based on broad generalities. The British preferred a finely detailed agreement, so that Hong Kong's future government would have standing in international law. The British felt that an agreement that depended on China's constitution would be vulnerable, since China's constitution has been rewritten several times since 1949. A broad agreement would also be vulnerable to differences of interpretation, especially because many Chinese find Hong Kong's ruthless, speculative capitalism incomprehensible. In the past, China has generally honored the letter of both domestic and international agreements, but has frequently changed its interpretation of those agreements.<sup>2</sup>

## KEY ISSUES

Although Chinese officials said they would retain Hong Kong's social system, there was deep concern that

<sup>1</sup>For a more thorough discussion of the background of the Hong Kong negotiations, see William H. Overholt, "Hong Kong after the 1982 Crisis," *Asian Survey*, vol. 24, no. 4 (April, 1984). There is an enormous literature on the negotiations, comprising several books, numerous articles, the proceedings of some major conferences, and the reportage of the *Far Eastern Economic Review*, *Asia Week*, and Hong Kong newspapers.

<sup>2</sup>On this point, as applied to the other principal territory China wants to recover, namely Taiwan, see William H. Overholt, "Would Chiang Find Mao an Excessively Strange Bedfellow?" *Asian Survey*, vol. 14, no. 8 (August, 1974).

China would not fully accept or understand the prerequisites of freewheeling capitalist success: a free press for accurate information; freedom of travel; freedom of trade; freedom of contract; free capital flow; a Western legal system; and Western-style education.

In order to avoid panic or violence or financial disruption, key interests needed specific reassurances. Property holders, the core of Hong Kong's economy in many ways, needed to know that their leases and mortgage contracts would be valid through the period of the contract. Farmers and small property owners in the New Territories feared loss of their land through expropriation or taxation. The government needed to be able to sell leases on land to pay its own bills. Professionals needed assurance that careers in Hong Kong would not be built on sand. Intense fears on the part of any of these groups could translate quickly into capital flight, emigration, stock market collapse, a decline in the value of the stock market and real property, and potential violence by groups that could not move capital and families abroad.

Hong Kong's efficient economy and stable social order depend totally on the civil service and the police, particularly on 2,000 senior civil service officers and 6,000 gazetted police officers. These groups may feel naked without Britain. Local Chinese administrative leaders lack the leadership experience and the social prestige of senior leaders. There has not been a systematic effort to groom successors. Moreover, even British political leadership and administration have declined in quality in recent years. The senior civil servants therefore fear being treated by China as lackeys of Britain, fear being damaged by democratic forces inside Hong Kong, and fear loss of their pensions. If these fears lead to an early, massive exodus, then Hong Kong risks collapse into corruption, stagnation and disorder.

The British and Hong Kong Chinese pressed China to accept the idea of an offshore pension fund guaranteed by both Britain and China. This would be expensive, because hitherto all pensions have been paid out of current revenues. With Hong Kong's rapid growth, there have been no difficulties with this system. However, larger numbers of civil servants, rising salaries, and declining government revenues could portend future difficulties. And China could regard demands for such a fund as insulting. The Hong Kong Chinese also pressed the British for guarantees that senior Hong Kong administrators would have the right to emigrate right up to the transfer of sovereignty on June 30, 1997. With the assured right to emigrate to Britain, the senior administrators could stay in Hong Kong and participate until the last minute in efforts to train their successors.

The police represent a particularly sensitive issue for Hong Kong. Hong Kong society is extraordinarily divided and possesses an unusual variety of criminals. Public order depends on an unusually effective police force, on strong fear of the Communist alternative to Hong Kong's government, and on unusual economic opportu-

nities. As the political alternative comes closer, and as fears rise about the economic future, the importance of the police rises. But the police are the unit of Hong Kong government most susceptible to fears of Chinese reprisals. To retain an effective police force, Hong Kong has increased salaries and benefits disproportionately in recent years, thereby raising the quality of the force. Britain also will ensure the right of emigration of those special forces (like intelligence) who might be particularly unpopular in Beijing. For the remaining senior officers, the efforts to ensure loyalty will be similar to those for senior civil servants.

## RESPONSE OF THE ECONOMY

Following the 1983 upturn in the world economy and a substantial devaluation of the Hong Kong dollar, Hong Kong's competitiveness rose and its markets expanded. As a consequence, real gross domestic product (GDP) rose 5.9 percent in 1983 while inflation declined. This return to growth was important psychologically and economically, but growth remained far below the boom years of the 1970's, and real incomes in early 1984 remained below those that preceded the September–October, 1982, crisis of confidence.

Textiles were the first industry to respond to the recovery, with orders beginning to increase in October, 1982. In 1983, however, they hit a ceiling determined by foreign quotas. Simple electronics—telephones, calculators and television games—also boomed.

Services, particularly financial services, nonetheless boomed. Hong Kong's highly skilled population provides the personnel needed for sophisticated service industries. Its minimal regulation is attractive to service companies that need to be fast on their feet. The collapse of real estate costs was a boon to firms whose competitiveness was threatened by rising real estate prices. Although there was some domestic investment in service industries, much of that investment came from foreigners. While Hong Kong Chinese were sending their money abroad, on balance foreigners were heavily investing in Hong Kong. Japanese and American firms invested across the board. Japanese banks moved in to purchase properties, whereas in earlier years they had rented. Motorola began building a major manufacturing plant. However, most foreigners invested in services.

The real estate sector experienced the most difficulties. By the late 1970's, Hong Kong's role as an entrepôt and manufacturing center had become eclipsed by its role as a global center of land speculation. The government fueled this real estate boom by increasing its public housing program from 15,000 units to 40,000 units per year shortly before the 1982 bust. An oversupply of hotel rooms depressed luxury room rental prices to US\$50–\$60 per night. Huge blocks of office space remained unsold and unrented because of massive oversupply, but construction continued because of commitments made before the bust. Only mass housing was doing well.

## THE AFTERMATH OF THE SINO-BRITISH AGREEMENT

The September, 1984, agreement on the return of Hong Kong to Chinese sovereignty eliminated the risks of currency collapse and violence. It assured for some years Hong Kong's role as the financial capital of Asia, a role it shares with Singapore. Hong Kong will remain the principal commercial and financial gateway to an expanding Chinese market and a major manufacturing and tourist center.

This outcome required one of the great diplomatic triumphs of modern history, plus some luck. In order to achieve their success, Britain and China had to overcome a massive Chinese-Western cultural gap, set aside Thatcher's and Deng's prickly sense of pride, educate China's Communist leaders about the workings of a *laissez-faire* enclave, and suppress Beijing's revulsion at some examples of capitalism. These obstacles were overcome because Deng Xiaoping was as determined to make his economic reform program work as he was to recover China's territory, and because the British were as professional and patient in negotiating the best deal possible as they were forthright in accepting the fact that they had no alternative to Chinese sovereignty.

Luck also helped. The risk of panic became so severe and unmistakable that Chinese leaders saw the necessity for caution and compromise. The conclusion of the agreement fortunately coincided with an upturn in Hong Kong's principal foreign markets, especially the United States market for textiles and, to a lesser extent, the home real estate market.

The agreement provides that Hong Kong will return to Chinese sovereignty on July 1, 1997, but that, under self-rule and with its present economic and social system, Hong Kong will be preserved as a Special Administrative Region of China at least until 2047. Existing leases will be honored until 2047. Farmers will retain their land and will not suffer tax increases until 2047. The government can issue up to 50 hectares of new leases each year until 2047; this facilitates sound government finances. Hong Kong will remain a free port; retain its own treaties, travel documents, and currency; continue to allow a free flow of people and capital; and continue to possess most basic freedoms. Hong Kong will retain control of its own police, but China will have the right to station troops there. A Joint Liaison Group, based in Beijing until July 1, 1988, and in Hong Kong thereafter, will provide a forum for Sino-British discussion and coordination. Hong Kong will be governed after 1997 by a Basic Law to be drafted by China in consultation with Hong Kong representatives.<sup>3</sup>

The credibility of the agreement is greatly reinforced

<sup>3</sup>For details, see "A Draft Agreement between the Government of Great Britain and Northern Ireland and the Government of the People's Republic of China on the Future of Hong Kong" (London: Her Majesty's Government, September 26, 1984).

by the Chinese leadership's determination to press forward with an economic development and reform plan in which Hong Kong will play a central role, by China's willingness to sign a formal international agreement (with far more detail than is customary for China), and by China's interest in using a successful Hong Kong agreement to show Taiwan that Beijing's "one country, two systems" formula can work to the benefit of an autonomous, capitalist enclave that is under Chinese sovereignty.

Hong Kong's confidence in the agreement is high. The Hang Seng stock index has doubled to regain its pre-negotiation level of about 1400 (but not its all-time high of 1800). Aside from the still overbuilt office space market, real property has regained much of its lost value: housing for workers and the middle class never suffered much, and luxury apartments and hotel space are suddenly scarce again. Domestic investment is rising quickly. Hong Kong dollar deposits at the Hong Kong and Shanghai Bank in January, 1985, were 30 percent greater than a year earlier. Hong Kong's interest rates, which previously carried a premium over United States rates, dropped below United States rates, yet money still flowed in, particularly from Southeast Asia. Visa lines at Western embassies were noticeably shorter. Representatives of major groups who in 1984 expressed a strong inclination toward violence expressed euphoria in early 1985.

## RESIDUAL CONCERNS

Confidence is not unlimited, however, and euphoria is temporary. Most business executives voice strong confidence in the next five to seven years, which is a very long time by Hong Kong standards and notably longer than the payback period for most investments outside real estate; but they fear difficulties as 1997 comes closer. The textile market is expected to be weaker in 1985. There is residual concern that, while honoring the overall agreement, Chinese leaders or factions may be tempted to state opinions or intervene in details that could gradually alter life in Hong Kong. Professionals, whose careers are less easy to transfer than those of businessmen, are far less comfortable. Many university professors plan to emigrate eventually, and most feel they must make plans outside Hong Kong for their children.

Although there is little risk of complete collapse, confidence would suffer severely if there were to be a major reversal of China's economic reform; the Hong Kong dollar and the stock market would fall in response. In fact, some tremors would occur if current midcourse corrections in China's reform become extensive. Major political conflict in China, even if only indirectly related to the economic reforms, would have a similar effect. There will almost certainly be a temporary fall in the currency and the stock market when the elderly Deng Xiaoping dies.

A further set of concerns relates to domestic government. If one is going to run a ruthless capitalist society, it helps to be an outsider—as the British colonial govern-



ment has been. The gradual disappearance of outside rule has raised two concerns in Hong Kong: the fear of too much democracy, or not enough.

The fear of too much democracy is in essence the fear of the welfare state and of erratic policymaking. But the Hong Kong elite is in firm control, and both the British and the Chinese are acting to reinforce that control and to limit welfare state pressures. The British are instituting democratic rule gradually, avoiding sudden shifts from primarily appointed bodies to wholly elected bodies and, at least initially, insulating policy from populist pressures by ensuring that the Governor and members of the Legislative and Executive Councils will be indirectly rather than directly elected.

Beijing has clearly communicated that it does not want its future flow of funds impaired by welfare state liberals; it wants rapid growth and full treasuries and assumes that a ruthless capitalism no longer practiced in the Western democracies is the means to those goals. Thus, China has been active in suppressing leftist union activities, and its attitude has aborted proposals for a Central Provident Fund.

### TOO MUCH DEMOCRACY

For the moment, China and Britain have contained the "threat" of too much democracy. The keys to the future will be tax and wage policies; a more indigenous government will eventually engage in a test of wills over wages (which could make Hong Kong uncompetitive if wages are raised too high) and taxes if civil service and infrastructure costs outpace the revenues from growth and property sales. In the meantime, Hong Kong can certainly afford additional expenditures for health and welfare and might benefit from them.

The second fear is that Hong Kong may have too little democracy. Hong Kong has been apolitical at all levels: happy making money while the British ruled, appeased by the British willingness to ask for nonbinding advice from various Hong Kong elite groups. The British fear that a continuation of the apolitical tradition will create either a political vacuum that will have to be filled by China itself, or an abdication by the elite that would relegate political power to the populists. Hence, the British are now telling the Hong Kong Chinese elite that it will have to stoop to running for election in order to retain political control, and they are seeking to stimulate enough interest in the elections to bestow a sense of popular legitimacy on the regime—without risking real popular sovereignty. Conversely, everyone in Hong Kong understands that the Chinese would not tolerate the emergence of truly powerful indigenous political leaders; Hong Kong will have no leader like Singapore's Lee Kwan Yew—or at least not for long. The goal for China, and for Britain, is government of the fat cats and by the fat cats, but not so assertive as to give China indigestion, nor so subservient as to catch pneumonia every time the ideological winds blow cold from Beijing. Here, too, China's Communists

and Britain's democratic imperialists have made considerable joint progress based on almost complete mutual interest.

As this balancing act proceeds, there will be controversies and perhaps sporadic episodes of fear. To the British and the people of Hong Kong, the activities of the Joint Liaison Group, the writing of the Basic Law and the extent to which Beijing comments on Hong Kong's policies and methods of choosing its leaders represent a risk that the Chinese will tamper with a system Beijing does not completely comprehend. The Joint Liaison Group is supposed to clarify ambiguities in the agreement, solve problems that arise, create momentum for the consultation process on the Basic Law, and review the enormous body of international agreements that might be affected by the Chinese takeover. Controversies in the Joint Liaison Group could occur any time before 1997, but the risks will probably be highest during the next few years.

Writing the Basic Law requires China's Communist leaders to create, in consultation with Hong Kong residents, the constitutional system of a capitalist, quasi-democratic system. But China, in both its Communist and pre-Communist phases, lacks a tradition of law. Moreover, the Western-trained Hong Kong lawyers China may use to write the Basic Law may well have views at odds with most of the British and Hong Kong elite. Thus there is plenty of room for dispute. Although there is no official timetable, Prime Minister Zhao Ziyang has indicated that China would like to finish writing the Basic Law by 1990.

The system for choosing officials remains a potential controversy within Hong Kong and between Hong Kong and China. Hitherto, Hong Kong has been governed by a Governor imposed from Britain; a 15-member Executive Council, a Legislative Council, and local district boards. Popular influence over the system came through neighborhood associations, and a series of advisory councils provided a bridge between the government and various interest groups. While this system was hardly a democracy, government leaders said their surveys indicated that most Hong Kong residents thought of the system as democratic because they defined "democratic" as meaning benevolent, responsive rule and the freedom to speak freely. The same surveys showed that the population greatly feared the loss of these attributes and the strife among political factions.

In theory, the new government is to replicate the old system as closely as possible in the context of self-rule.

*(Continued on page 274)*

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*"After six years of ad hoc experiments, Chinese planners seem to have put together a comprehensive and balanced program that should redress earlier problems and move reform in the right direction. The most important factor determining the fate of the reform is the continuing ability of the [government] to maneuver through the political minefield of conflicting interests and rally support."*

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# The Second Phase of Economic Reform in China

BY CHRISTINE WONG

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**I**N October, 1984, the present leadership in China reaffirmed its commitment to continuing reform, when the third plenum of the twelfth party Central Committee adopted the "Decision of the Central Committee of the Communist Party on the Reform of the Economic Structure." On the strength of the success of rural reforms, the Central Committee decision listed reform in the management of the urban economy and a further opening to the West as two keys to reform efforts.<sup>1</sup>

For the first time since the third plenum of the eleventh party congress in 1978, the leadership spelled out an extensive program that is designed to accelerate the process of decentralizing control and moving the Chinese economy farther along the road toward "market socialism." Among the provisions of the decision are far-reaching measures that will give much greater autonomy to various enterprises, allowing them production, supply, marketing and even pricing decisions. They will also be given greater freedom over labor recruitment practices. With the implementation of the "tax-for-profit" scheme, these enterprises will have greater autonomy in the disposal of after-tax net incomes, including a freer hand in determining wage and bonus structures. Administration of the economy is to be reorganized to reduce the number of levels involved in making economic decisions, with a greater role assigned to cities as economic centers. In total,

a whole range of reforms [will be implemented that include] planning, pricing, economic management by state institutions, and the labor and wage system. The Central Committee is of the opinion that these reforms should be carried out step by step . . . and that they should basically be accomplished in about five years.<sup>2</sup>

With the introduction of these measures, the decision signaled that reforms have entered a second phase in post-Mao China.

While the acceleration of the pace of reform as outlined in the decision may have been surprising, the urban focus and the continuing market orientation were not. In the first six years of reform, dramatic successes were achieved

in the rural sector. Market-oriented policies reorganized production through decollectivization, improved incentives, reduced state control over cropping patterns and marketing rates, and generally offered greater decision-making autonomy to producers. The rural economy responded vigorously, and the results led to rapidly growing incomes, rising productivity, increasing marketing of surplus produce, and accelerating job-creation in nonagricultural activities.

In contrast, performance in the urban sector has been disappointing. Even though urban incomes and standards of living also rose rapidly in the reform period, gains have come primarily from diverting a greater portion of national income to current consumption (with the rate of accumulation reduced from 36.5 percent to around 30 percent of national income) and from reorienting production toward consumer goods. While the reduction of accumulation and the restructuring of production better to meet consumer demand must be counted as achievements of the readjustment program, planners worry that unless these changes are also accompanied by productivity growth in industry, the increases in urban income and consumption cannot be sustained.

In the second phase, planners hope to transplant many of the rural reform measures, trying to free producers from the constraints of bureaucratic control, to improve incentives, and to make better use of prices and taxes to guide production. Emboldened by its dramatic impact on "enlivening" rural commerce, the Chinese leaders have also opted to turn over an increasing number of economic activities to private or semiprivate management. With the successful implementation of this program, Chinese planners claim that the government will eventually confine its role to a few key sectors and will influence the pace and orientation of development of the rest of the economy indirectly.

## THE 1984 REFORM PROGRAM

In his report to the Sixth National People's Congress in May, 1984, Prime Minister Zhao Ziyang outlined the major steps to be taken in the next phase of reform, stressing that they must

start with tackling the relations between the state and enter-

<sup>1</sup>"Decision of the Central Committee of the Communist Party of China on Reform of the Economic Structure," *Beijing Review*, no. 44 (October 29, 1984), pp. I-XVI.

<sup>2</sup>*Ibid.*, p. VII.

prises and between enterprises and workers and staff members . . . [by striving] to overcome step by step the prevailing defect of "everyone eating from the same big pot" in the urban economy.<sup>3</sup>

The most important reform in state-enterprise relations is the introduction of "substituting taxes for profits" (*ligaishui*), which is to replace all other profit-sharing programs for state-owned enterprises. Under this scheme, all medium and large state-owned enterprises will be gradually shifted; instead of remitting profits to the state, they will pay taxes on profits, and the enterprises will have much greater autonomy in disposing of after-tax net income. The scheme was to be introduced nationwide in two stages. Stage one began in July, 1983, with the introduction of an income tax of 55 percent on profits for participating enterprises, which also continued to remit profits. The second stage began in October, 1984, with the announcement that month of the Central Committee decision.

In the second stage, profit remittances will be replaced by a series of taxes designed to skim away profits accruing to factors "external" to the enterprises, like high prices, good resource conditions and locational advantages, leaving only earned profits. To accomplish this, new taxes will be introduced. In addition to the eight-grade, progressive income tax that has long been applied to collective enterprises and is now to be applied to state enterprises as well, charges will be levied on fixed and working capital. The present industrial-commercial tax will be broken down into four parts: the product tax, the value-added tax, the business tax and the salt tax.

The product tax is to be differentiated across products but applied uniformly nationwide: this is the tax that offsets the effects of "bad" prices by taxing away the differences in profits between products, like the extremely high profits in industries producing consumer durables, wristwatches, cigarettes and liquor.

For enterprises in the mining and extractive industries, a resource tax will be levied to tax away differential rents. Finally, an adjustment tax is a firm-specific tax that is to be applied to standardize profitability across enterprises within each industry by absorbing undeserved profits not covered by the other taxes.

<sup>3</sup>Zhao Ziyang, "Report on the Work of the Government at the Second Session of the Fifth National People's Congress," *Beijing Review*, no. 24 (June 11, 1984), pp. I–XVI.

<sup>4</sup>Sun Xuewen, "Some Problems in the Implementation of Profit Contracting," *Jingji Lilun yu Jingji Guanli* (Economic Theory and Economic Management), no. 3 (1982); reprinted in *Gongye Jingji*, no. 13 (1982), p. 28.

<sup>5</sup>*Caizheng* (Finance), no. 7 (1984), p. 4, and no. 8 (1984), pp. 1–6.

<sup>6</sup>For an excellent account of the evolution of profit-sharing schemes through 1982, see Barry Naughton, "False Starts and Second Wind: Financial Reform in China's Industrial System," in Elizabeth J. Perry and Christine Wong, eds., *The Political Economy of Reform in Post-Mao China* (Cambridge: Harvard University Press, 1985).

<sup>7</sup>*Gongye Jingji* (Industrial Economics), no. 23 (1982), p. 19.

At least on paper, the tax-for-profit scheme represents a big step forward in the attempt to set objective standards for the division of revenues to the state. The different layers of taxes stripping away the effects of prices, technology, capital-intensity, location, and so forth on enterprise profits is designed to sort out well-run enterprises from poorly managed ones and mete out financial rewards accordingly.

As explained by Zhao Ziyang, one of the advantages of the tax-for-profit scheme is that the financial relationship between the state and the enterprises can be formalized and "fixed by laws and decrees," reducing the amount of negotiation that goes on over enterprise obligations to the state. Runaway profit retention by enterprises and the continuing lack of accountability for enterprise performance were the major problems of earlier profit-sharing programs, which did not adequately distinguish between well-run and poorly managed enterprises. During the first phase of reform, the share of profits retained by state enterprises rose rapidly, far exceeding planned levels.

In the first profit-sharing scheme introduced in Sichuan Province in 1978, firms were allowed to retain 15–25 percent of above-plan profits. In the version implemented nationwide in 1979, firms were to retain a fixed portion of total profits. The scheme was designed to encourage enterprises to increase profits by fixing the rate for a three-year period, so that the amount retained by the enterprise would rise only if total profits increased.

In 1980, the profit-sharing plan was modified to offer different retention rates for profits up to the last year's level, with a higher rate for increased profits. Even so, the retention rate for increased profits was to be fairly modest: 10 percent for high profit industries, 30 percent for low profit industries, and 20 percent for most industries.<sup>4</sup> In the process of implementation, however, retention rates grew out of control, so that by 1984 enterprises under profit-contracting were retaining 85.5 percent of increased profits.<sup>5</sup>

Even more problematic, enterprises were often able to increase their retained funds without improving their performance, especially under the profit-contracting system that was in general use from 1981 to 1984. Under this system, enterprises negotiated for annual profit remittance quotas with their supervisory agencies. The rising retention rates can be attributed to the overly lenient attitudes of government officials. With these quotas set at low levels of the administrative hierarchy, the inexperience of the cadres involved, the lack of objective standards for setting quotas, and the rapidly changing economic environment all gave enterprises the upper hand in profit negotiations.<sup>6</sup>

The extremely generous terms of one profit contract reportedly allowed a rubber factory to increase its retained funds by 44 percent in 1981, even though its output value had declined by 42 percent and profits had declined by 85 percent, compared with 1980.<sup>7</sup> The tax-for-profit scheme is expected to put an end to the negotiability of an



enterprise's financial obligations to the state and to reverse the trend of declining state revenues from enterprises.

Until price reform is completed, the tax-for-profit scheme also enables the government to use taxes as a lever to offset the problems of "bad" prices. In addition, it is hoped that the tax reform that is implicit in the scheme will alleviate the problems of "departmentalism" and regionalism by separating the revenues of ministries and local governments from the ownership of specific enterprises. Under the arrangement in force during 1980–1984, enterprise profits were divided among the different levels of government by ownership, so that central enterprises remitted profits to central coffers, while profits remitted by provincial enterprises went into provincial revenues, and so on. This arrangement exacerbated tensions among administrative units and encouraged protectionism. By cutting the link between local revenues and enterprise profitability, it is hoped that the tax-for-profit scheme will also reduce local government intervention in enterprise operations.<sup>8</sup>

### BOOST FOR THE PRIVATE SECTOR

Another important reform being introduced as part of the tax-for-profit scheme is the program to turn over small-scale enterprises to private or semiprivate management. At the Sixth National People's Congress, Zhao Ziyang announced that, over a period of three years, all small-scale enterprises with fixed assets of less than 1.5 million yuan and annual profits of less than 200,000 yuan would be contracted or leased to individuals or collectives. For these enterprises, contract periods will run for up to five years, and contractors will have "full autonomy in production, management and business operations." After paying rent and taxes, the contractors are given a good deal of autonomy in the disposal of net incomes. This appears to be an extension of the system that has been applied to rural commune and brigade enterprises since 1981–1982.

The program should give a big boost to the growth of the private sector in China by making plant and equipment available to entrepreneurs through de facto unsecured loans under contract arrangements. In addition, by

<sup>8</sup>For a discussion of the tangled web of control over industrial enterprises and their adverse impact on reform, see Christine Wong, "Ownership and Control in Chinese Industry: The Maoist Legacy and Prospects for the 1980s," in United States Congress, Joint Economic Committee, *China in the 1980s* (Washington, D.C.: U.S. Government Printing Office, 1985).

<sup>9</sup>It is important to note the difference between "collective" used in this context to refer to groups of individuals, and the "collective" that refers to the ownership system for many enterprises in light industry. For the larger "collective" enterprises, state control has basically eliminated the original content of "collective ownership," which implies independent accounting status. See *ibid.*

<sup>10</sup>Xinhua, February 10, 1985, in British Broadcasting Corporation, *Summary of World Broadcasts*, W1326/A/2.

<sup>11</sup>State Statistical Bureau, *Statistical Yearbook of China, 1984*, p. 122.

retaining state ownership of the enterprises but renting them out to private management, the measure will allow entrepreneurs to sidestep the labor-hiring restrictions on privately owned enterprises. If fully implemented, a good part of the 55 percent of gross value of industrial output that is now accounted for by small-scale enterprises will be produced by the private or semiprivate sector by 1987 or 1988.<sup>9</sup> With the growth of these contracting arrangements, the private sector will also gradually amass capital that can be used for reinvestment and the expansion of private ownership of the means of production.

It is clear that the measure is designed to end bureaucratic meddling in the operations of non-key enterprises and to give them greater flexibility while making them more accountable for their performance. But so far there are only anecdotal accounts of how the contracting is supposed to work. By the end of 1984, over 11,000 industrial enterprises and 58,000 enterprises in commerce, catering, retail and other trades had reportedly been rented out. Among the service enterprises, 47,000 were leased to collectives, essentially reverting to the cooperative form that characterized the early to mid-1950's. Fifty-five hundred were turned over to collective ownership, and 5,900 were leased to individuals.<sup>10</sup>

In addition to this growth of de facto private activities through contracting state-owned enterprises to private management, the legal private sector has also been growing rapidly, mostly in retailing, restaurants, food stalls and other service trades. By official statistics, the number of workers employed in the urban private sector grew from 150,000 in 1978 to 2.3 million in 1983, of whom 2 million were in "commerce, catering and service trades."<sup>11</sup> These figures reflect substantial undercounting, even considering their exclusion of state workers now under private management in small-scale enterprises that have been contracted out. Private, informal activities are notoriously difficult to track in third world countries since they usually involve extremely small enterprise without fixed places of business and many workers who are new migrants without permanent residences.

With restrictions lifted on private grain trade since 1978, the tight control over rural-urban migration that distinguished China from other third world countries has effectively ended. By 1984, liberalization measures introduced in rural areas had freed nearly 100 million peasants to leave agricultural work, and a substantial portion of them have undoubtedly flooded into cities to take up construction and other odd jobs in the state, collective and private sectors. Since they are not entitled to urban allocations of housing and food rations, these workers often fall outside the purview of state agencies and go uncounted. In recent years, the growth in the ranks of itinerant peasant workers and their increasing relative affluence have given rise to new service industries on the outskirts of cities and towns, where hotels, restaurants and food stalls are reportedly springing up to cater to their needs.

Aside from the accelerating growth of traditional "informal" activities, the character of the private service sector was recently upgraded when permission was given to physicians, nurses and paramedics to go into private practice. By May, 1985, over 80,000 doctors had reportedly set up their own practices; many of them had retired from state employment and were continuing to draw their pensions and other fringe benefits. While comprising only a tiny portion of the 1.35 million doctors, this sector is likely to grow rapidly to serve those unwilling or unable to use public clinics.<sup>12</sup>

## PRICE REFORM

The third major component of the 1984 reform program is price reform, which is to be introduced in 1985 by "adopting a policy that combines relaxed control with readjustments," by readjusting relative prices, reducing the scope of state control over prices and allowing more prices to float. The present structure of prices is problematic for several reasons. The undervaluation of fuel and raw materials is widely regarded as a primary reason for their wasteful use and underproduction. On the other hand, the proliferation of enterprises producing electric fans, wristwatches, cigarettes and liquor that have outstripped market demand and raw material supplies in recent years is attributed to the overvaluation of processed products, which creates high profit margins that attract excessive investment. In the reform period, when investment funds have been flowing increasingly in response to profitability signals, the irrational price structure has caused a serious misallocation of resources.

Another problem is that at present, multiple prices exist for many products, a phenomenon that emerged with the advent of market reforms. Since many commodities are no longer allocated by the state, market prices have emerged for many products. At the same time, in an attempt to maintain control over the allocation of resources in the planned sector, the government continues to fix prices of key commodities. The result is that many products have both a state price and a market price—usually with a substantial gap between them. For example, for coal the state procurement price is Y20–Y30 per ton, while the market price reached Y50–Y80 by 1982. For plate glass, in 1982 the state price was Y11.50 a case, while the market price ranged from Y25 to Y40 a case. To support continuing market reform, the government intends to relax control, so that the price structure will reunify at the market level. This will also alleviate the problem of the differentiated treatment of state, collective and local enterprises, whereby some enterprises receive

inputs at state prices, while others must buy them at much higher market prices.<sup>13</sup>

In 1982 and 1983, even before its formal announcement in the decision, the Chinese government began making a series of price adjustments, starting with the adjustment of relative prices for cotton and synthetic textiles. The combination of growing competition and price reductions had reportedly already eliminated excess profits in many light industries. One report from Shanghai claimed that the situation of "high prices and high profits has virtually disappeared" in the second light industrial system.<sup>14</sup> Nevertheless, the announcement of a general price reform set off many jitters, especially regarding food prices.

According to official announcements, state price controls on farm and sideline products will be gradually relaxed on a city-by-city basis over the next five years, with each city government deciding the size of the adjustment, along with the amount of additional subsidies to help city residents offset the expected increases when food prices are "subjected to market regulation."

Beijing took the lead on May 10, 1985, when it instituted a round of price hikes that raised prices by large margins for meat, poultry, eggs, fish, vegetables and processed foods. For example, pork rose from Y2.2 kg to Y2.98; lean pork went from Y2.92 to Y5; beef from Y2 to Y4.4; hairtail fish Y1.06 to Y3.2; and eggs from Y2.2 to Y2.6. To help offset these higher prices, the city government announced that all city residents would receive an additional monthly subsidy of Y7.50; college students and Hui (Muslim) minority residents would receive an additional Y9 a month. Even so, the price reform caused residents to grumble about the declining purchasing power of their take-home pay. Rumors of the impending price reform set off panic buying, with everyone stocking up to beat the price increases. For the three days before May 10, for example, the daily sales of eggs skyrocketed from an average of 50,000 kgs to 1.25 million kgs.<sup>15</sup>

Wage reform is also to begin in 1985, with emphasis on

eliminating the current irrationalities, so that the egalitarian practice of "everybody eating from the same big pot" in the distribution of wages will be gradually abolished and a new wage system better embodying the principle of distribution according to work will be instituted.<sup>16</sup>

While details remain to be worked out, Zhao Ziyang outlined two main points: wages will be determined more by workposts and responsibilities rather than by seniority, and total payrolls will be allowed to fluctuate according to the economic performance of the enterprise. While

(Continued on page 278)

<sup>12</sup> *Beijing Review*, no. 20 (May 20, 1985), pp. 8–9.

<sup>13</sup> See Wong, op. cit.

<sup>14</sup> *Caimao Jingji*, no. 10 (1984), p. 54.

<sup>15</sup> *Beijing Review*, no. 20 (May 20, 1985), pp. 6–7.

<sup>16</sup> Zhao Ziyang, "The Current Economic Situation and the Reform of the Economic Structure: Report on the Work of the Government at the Third Session of the Sixth National People's Congress," *Beijing Review*, no. 16 (April 22, 1985).

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*"Is it possible that the new openness in [Chinese society] will be reversed, as cultural conservatives, disaffected cadres and unreconstructed Marxists join forces in opposition? In the early days of Deng's initiatives, the answer might have been affirmative. But although some scholars argue against the probable continuation of the 'open door policy' toward the West, there are some sound reasons to doubt that there will be a return to pre-reform China."*

## Society and Reform in China

BY STANLEY ROSEN

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UNDER what circumstances are groups in China free to pursue their interests? What conditions are likely to trigger direct party intervention into social life?<sup>1</sup> The evidence suggests two preliminary conclusions about current party/society relations. First, the shift from the Maoist emphasis on the creation of a "socialist man" to the Dengist stress on the necessity for an "economic man" has rendered many of the fundamental verities of pre-1976 China more than a little questionable. Distinctions among what is encouraged, permitted, tolerated, or prohibited remain uncertain. Put another way, the line between the "healthy" and the "unhealthy"—even between socialist and capitalist practices—seems indeterminate.

One recent example concerning lotteries illustrates this phenomenon. In the fall of 1984, seeking a means to promote sales and raise funds in China's increasingly competitive and profit-oriented society, many organizations hit on the lottery format; and the success of this initiative quickly turned the experiment into a popular craze. The climax came on Lunar New Year's eve when China Central Television (CCTV) televised a lottery in front of a studio audience of 20,000 and a viewing audience of 200 million. Thirty million participants paid one yuan apiece for the opportunity to win such coveted items as color television sets. After being criticized by newspapers throughout the country for the promotion of gambling and for bringing back "the days of pre-liberation Shanghai," the television network issued an open self-

criticism. It took a State Council circular putting an immediate ban on the vast majority of lotteries in March, 1985, however, to end such practices.<sup>2</sup>

In part as a result of this experimentation and uncertainty, associations representing both professional and social groups have been granted a fair degree of freedom to contend with each other and to pressure the government. This has led to "debates" over social policy, to the public airing of complaints by representatives of intellectual groups, and to demands for legislation that would recognize an association's legal status and facilitate the performance of its members. Although it is clear that the limited freedoms allowed are not immediately threatening to the party—in fact, such "independence" may be bestowed by party reformers as a weapon to be used against more conservative middle- and lower-level party officials—associations have seemingly become more than mere "transmission belts" for party policy. Whether they can become strong enough to influence the decisions that affect their members remains an open question.<sup>3</sup>

Two examples illustrate the more open atmosphere in which groups now operate—as well as the central role of the party in setting the parameters under which groups can pursue their interests. The first case concerns a controversy involving women in the work force. On one side are those who advocate that women—particularly those in their childbearing years—should leave the work force and return to the home. Among the arguments presented are that too many women are employed in types of work more suitable to men, that women need to step aside to provide jobs for unemployed males, that women may actually hinder economic development and cause lower productivity and inefficiency, that women are better able to run a household and raise children (and thus contribute to reversing the rise in juvenile delinquency), and so forth.

Trade union officials in particular have come up with a variety of plans. One proposal suggests that a woman worker take a leave when she is seven months pregnant and stay away from the job until her baby reaches the age of three. Women on leave would receive 75 percent of their normal salary and would be allowed to return to

<sup>1</sup>See Richard Lowenthal, "Development vs. Utopia in Communist Policy," in Chalmers Johnson, ed., *Change in Communist Systems* (Stanford: Stanford University Press, 1970), pp. 33–116, for a general discussion of these questions and the modernization of Communist regimes.

<sup>2</sup>*China Daily*, March 15, 1985, p. 4; *Beijing Review*, March 18, 1985, pp. 9–10.

<sup>3</sup>"New Expertise: 'Industrial Revolution' and Professional Associations," *China News Analysis*, no. 1262 (June 4, 1984). China may be moving toward what has been called "quasi-pluralistic authoritarianism," which characterized Hungary and Poland during the thaw of 1953–1956, the Soviet Union under Nikita Khrushchev, and Czechoslovakia and Poland in the mid-1960's. See H. Gordon Skilling, "Group Conflict and Political Change," in Johnson, op. cit., p. 224.



work after the three-year period. Others have recommended that some, not all, women stay at home, and that their husbands or brothers receive double wages. This would allow families to retain the same level of income. The Women's Federation, attacking these overtures as examples of "feudalistic ideology," has argued that "women's liberation depends, in the final analysis, on economic status."

Both sides in this debate have conducted public opinion polls and have presented results that buttress their positions. Although the party has opposed the complete withdrawal of women from the work force, on issues like these, which are considered nonthreatening to party control, contention among various social forces has been permitted.

Far more controversial has been the role of journalists. As part of its campaign for economic and political reform and against corruption and bureaucratism, the party has allowed selected journalists surprising freedom to uncover active opposition to the reforms. The new breed of investigative reporter—epitomized by Liu Binyan, whose reports in *People's Daily* have made him the bane of many middle-level officials—often faces overt defiance and harassment from provincial and municipal authorities in the course of gathering information for a story. Buoyed by their relative freedom under China's de facto leader, Deng Xiaoping, the All-China Journalists' Association, which has a membership of 300,000, and the Beijing-based Institute of Journalism have been lobbying for a press law that would protect their news-gathering efforts and would provide the press with some independence from tight party control. Such legislation is desired also because it would be the stimulus for a livelier and more popular press. Recent surveys have revealed the low esteem accorded Chinese newspapers by the public. One survey of 2,500 readers in eastern China reportedly produced the almost unanimous verdict that the most useful information in the official press was the weather forecast. Other surveys suggest that between 20 and 45 percent of the readers question whether the news reports they read are true; generally, the higher a reader's educational level, the greater the skepticism.<sup>4</sup>

Journalists have been particularly encouraged by developments in literature and art, as well as in intellectual circles. For example, the fourth congress of the Chinese

Writers' Association, which met from December 29, 1984, to January 5, 1985, was considered a milestone. Hu Qili, a member of the secretariat of the Chinese Communist party's Central Committee and widely regarded as a rising star, spoke on the relationship between the party and the country's literary and art workers. Critical of past attempts to interfere with writers, Hu emphasized the importance of "freedom of creation" for such workers.

Writers must be able to think with their own minds and must have ample freedom to choose material, themes and artistic methods and to express their own feelings, emotions, and thoughts. . . .<sup>5</sup>

The party and state were enjoined to provide the necessary conditions to ensure such freedom. The congress received wide coverage in the press; over the next month there were many articles from writers and literary officials on the importance of the freedom of creation concept. Leading Hong Kong magazines published "inside stories" on the conference by participants or knowledgeable correspondents. Hu Yaobang, the General Secretary of the Chinese Communist party, was praised for initiating freedom of creation and for his criticism of "leftist" elements opposed to "liberalization."<sup>6</sup>

At about the same time, a new literary magazine—*China*—was launched, with the well-known Ding Ling as one of the chief editors. Different from state-run magazines and only partially funded by the state, the journal assumed sole responsibility for its profits and losses. The avowed aim was to encourage new ideas and writing styles.<sup>7</sup> Another magazine—*Qunyan* (The Voice of the Many)—was launched as a comprehensive monthly to allow intellectuals to "speak freely" on a variety of political and academic topics. The consultants included some of China's most senior academics, including Fei Xiaotong and Qian Jiaju.

In the midst of such intellectual ferment, journalists were compelled to temper their enthusiasm after a February, 1985, speech by Hu Yaobang, the alleged patron of the writers. Published only in mid-April and taking up the first three pages of *People's Daily*, Hu provided a crucial distinction between journalists and other segments of society stimulated by the reform movement. First, he differentiated journalists from writers and artists. Since literary creation is an individual exercise, writers and artists are basically representing themselves in their works, although the purpose of their output should be to encourage and educate the people.

Journalists, however, represent the party and the government, not just individual editors and reporters. As such they are the "mouthpiece" of the party. Second, Hu rejected any link between reforms in the economy and greater freedom of the press. Although party officials have been admonished not to interfere in decisions on production made by factory or enterprise managers, journalism departments cannot be considered independent producers of commodities. Using strong language, he declared: "No matter what kind of reforms we are carrying out, we

<sup>4</sup>"Newspapers and Journalists," *China News Analysis*, no. 1275 (December 17, 1984); *The Economist*, March 16, 1985, p. 50. But one source pointed out that American journalists were envious that so many Chinese readers apparently did believe their country's newspapers. "American readers expressing similar faith did not exceed 30%." See *Xinwen zhanxian*, September, 1983, p. 11.

<sup>5</sup>Foreign Broadcast Information Service, *Daily Report: China* (hereafter FBIS), December 31, 1984, pp. K4-6.

<sup>6</sup>FBIS, February 7, 1985, pp. W1-10; FBIS, February 22, 1985, pp. W1-5.

<sup>7</sup>Joint Publications Research Service-CPS-85-041 (hereafter JPRS), May 7, 1985, pp. 78-79.

absolutely cannot change in the slightest the nature of the party's journalism or change the relation of this work to the party." Some could perhaps take solace from Hu's reiteration of an earlier remark that newspapers should give 80 percent of their space to reporting good things and achievements, still leaving 20 percent to "criticizing the seamy side of things and to exposing our shortcomings."<sup>8</sup> But the message is clear: The party leadership is not prepared to tolerate even limited "autonomy" by any crucial professional group engaged in propaganda work.

### THE SEARCH FOR RELEVANCE

Party/society relationships are currently marked by experimentation and uncertainty. One occupational group (peasants) and one social group (youth) clearly reflect the impact of the reforms. Unlike the urban economy, which is only now undergoing major structural change, the rural economic reforms began 6 years ago. There is already preliminary evidence of the reform's effects on the peasants and the rural social structure, and the party's response to these effects. Knowledge of the party's treatment of youth can also aid in understanding party/society relationships in the long term. For example, because it is so important as a conduit for party recruitment, the Communist Youth League's (CYL) recruitment patterns may provide us with clues about the post-reform makeup of the party itself.

Stemming from decisions taken at the third plenum of the Eleventh Central Committee in December, 1978, reforms in rural China were among the earliest reforms adopted and, it is generally agreed, were among the most successful. Published figures are very impressive. Estimated average annual per capita net income reached 353.3 yuan in 1984, compared to 133.6 yuan in 1978. The total output value of agriculture in 1984 was 361.2 billion yuan, up from 229.6 billion in 1978. The percentage of peasant households with a yearly per capita income of more than 300 yuan rose from 2.4 percent in 1978 to 36.2 percent in 1982.<sup>9</sup> The introduction and extension of the production responsibility system—under which production teams divide land among their households and peasant families profit separately from their own crop yields—has often been cited as a major cause of increas-

ing rural prosperity. By 1984, decollectivization was so widespread that 99.8 percent of production teams had reportedly adopted this system.<sup>10</sup>

From the perspective of the party's long-term strategy for economic development, however, current successes have merely prepared the groundwork for the crucial second stage of rural development. The emphasis will be on the large-scale commercialization of rural production, on the "opening outward of the village economy towards the city, marketing, industry, consumption, etc."<sup>11</sup> The latest "Central Committee Document No. 1," the fourth in succession starting from 1982, spells out the shift from state planning to greater market demand in farm production, and from administrative to economic means in rural management.<sup>12</sup> A crucial requirement for the move away from subsistence farming to commercialized agriculture is the stimulation of peasant entrepreneurial activities. Praise for peasants who have become rich by producing for the market has been a constant feature in the press. By 1984, there were 25 million of these "specialized households," which concentrated on a particular crop, animal or nonagricultural task.<sup>13</sup> This made up 13.6 percent of all rural households.

Because these new entrepreneurs have faced substantial opposition both from local cadres and envious less well-to-do peasants, the party leadership has found it necessary to encourage and consistently support the activities of those who "dare to be rich." In particular, the 1984 "Document No. 1" was widely publicized to allay peasant fears that the party's rural policy might be changed. Among other provisions, peasants leasing land from the production teams were able to sign contracts for 15 years or more; land could be transferred and inherited; a small number of assistants and apprentices from outside the family could be hired, and so forth.<sup>14</sup> Since press reports indicate that as much as 30 percent of the rural labor force is already surplus and that 60 percent of rural labor is expected to have given up farming by the year 2000, the importance of specialized households as path-breakers and models takes on added significance.

Party leaders see nothing wrong when local cadres take the lead in becoming rich. In fact, unlike the urban areas (in which party and state cadres and their family members are forbidden to engage in private enterprise), cadres in the rural areas are encouraged to serve as models in becoming "10,000-yuan households." As one recent report concluded,

After becoming aware that the party branch secretary had made a fortune through diligent labor, many peasant households dispelled their feeling of being afraid to become rich and began to find ways to become rich.<sup>15</sup>

However, as the party moves to recruit more of these specialized household members into its ranks, its social base may be altered. As one perceptive observer has pointed out, since specialized households may be rich not simply in terms of money but in the Marxist sense of owning means of production and employing labor, the

<sup>8</sup>FBIS, April 15, 1985, pp. K1-15; *Los Angeles Times*, May 7, 1985, p. 33.

<sup>9</sup>*Beijing Review*, September 26, 1983, p. 4; March 25, 1985, p. VIII (supplement); *Statistical Yearbook of China, 1981* (Hong Kong: Economic Information and Agency, 1982), p. 5.

<sup>10</sup>*Beijing Review*, May 20, 1985, p. 16.

<sup>11</sup>"Rural Take-Off: Raising the Stakes," *China News Analysis*, no. 1277 (January 15, 1985).

<sup>12</sup>FBIS, March 25, 1985, pp. K1-7.

<sup>13</sup>Martin K. Whyte, "Society," in Steven M. Goldstein, ed., *China Briefing, 1984* (Boulder: Westview Press, 1985), pp. 37-56, gives a fine overview of developments in rural and urban China in 1984.

<sup>14</sup>FBIS, June 13, 1984, pp. K1-11. Land, however, remained collectively owned and could not be bought or sold.

<sup>15</sup>FBIS, May 21, 1985, pp. K1-2.

concerns of more orthodox party members resisting this trend may be well-founded.<sup>16</sup>

The relationship between the party leadership, local party members, specialized households and the majority of the peasants is delicate. Central leaders must be extremely cautious in criticizing any activities of entrepreneurial peasants; the cost of such criticism might be a renewed skepticism among the peasantry that the policies are dependent on leadership factions in Beijing, and hence might become reversible. This has compelled China's leaders to turn a blind eye to many kinds of profit-making activities that go beyond the bounds of the new regulations, like the hiring of hundreds of employees for newly established workshops. Moreover, by praising particularly successful rich peasants as model entrepreneurs, the party may develop a stake in the future successes of these individuals.

A recent case concerned a well-known fishery specialized household. In 1979, an enterprising peasant became rich by contracting responsibility for ponds that stretch over more than one district. When he was criticized for capitalism, the *People's Daily* came to his defense, and he became nationally known. Such fame encouraged him to expand his operations and his wealth increased; however, for a variety of reasons, he began to lose money in 1982. By 1984, he was 150,000 yuan in debt. The county party committee and the government have felt compelled to step in, à la Chrysler, to help him market his product, negotiate an extension in the terms of his repayment with his creditors, and give him more technological and managerial help.

The proper treatment of the new rich peasants is a matter of intense internal debate, although the sensitivity of the issue allows for little open discussion in the official press. A recent appeal, intended for restricted circulation, reveals the uncertainty of those who need to know the official line to ply their trade successfully. The author of the appeal complained that those who write about the countryside are eager to portray the new rich peasants in their stories, but are unsure how they should be characterized. Some people refer to them as "half angel" and "half demon." On the one hand, the party's new agricultural policy allows them to demonstrate their talents and increase output; on the other hand, their concern with economics over politics, their under-the-table deals, their ruthlessness in controlling markets and so forth seem no different from behavior reminiscent of the old society.

To ignore the existence of these complex characters would render stories about village life colorless and unrealistic. However, can we assume that these "10,000-

yuan households" are in fact "the new people of socialism?" The appeal closed by asking literary critics to provide some direction.<sup>17</sup>

## YOUTH

The party's search for a solution to the "youth problem" has proved particularly intractable in post-Mao China.<sup>18</sup> The Cultural Revolution, in which idealistic youth played a major role as Red Guards, followed almost immediately by the repudiation of that movement as "ten years of catastrophe," convinced many young Chinese that strong ideological commitments reflected naïveté. China's reformist leaders, faced with youth who had "seen through" (*kantou*) everything and believed in nothing, have labored since 1979 to wean young people from their cynicism. This formidable task has been entrusted to the Communist Youth League (CYL), an organization whose primary functions have always been political socialization and party recruitment. Although the analogy should not be drawn too far, the league's links with youth can be seen as a microcosm of the party's links with society.

The most striking thing about the CYL in 1985 is its attempt to reach out to young Chinese, to become relevant to their needs. This reflects an acknowledgement of the difference between pre-Cultural Revolution and post-Mao youth. In the 1950's and early 1960's, China's young people had competed energetically for CYL membership. Acceptance conferred increased prestige and enhanced one's prospects for social mobility: CYL membership was taken into account in university entrance and job assignment decisions. Currently, league affiliation seems to provide neither moral nor material advantages. As a vanguard organization with a mandate to propagate Communist values among its constituents, the problems the CYL faces are similar to those of the party. In an era in which youth are constantly encouraged to compete—for entrance to the university, to increase their wealth, and so forth—an ideological-political organization that stresses spiritual over material values may seem irrelevant.

Under the tutelage of leaders like Hu Yaobang and Hu Qili, both former leading CYL officials, the league has taken bold initiatives to appeal to youth. In the countryside, where the league has traditionally been weak, the goal is to tie the fortunes of the league to the new rich peasants. Although only 10 percent of CYL cadres now come from rich peasant households, the CYL central committee would like to increase the figure to 50 percent. In some counties, league committees have organized bri-

(Continued on page 276)

<sup>16</sup>Thomas P. Bernstein, "China in 1984: The Year of Hong Kong," *Asian Survey*, vol. 25, no. 1 (1985), p. 38.

<sup>17</sup>*Baokan wenzhai*, May 8, 1984, p. 3 (*Wenyi qingkuang*, no. 4, 1984).

<sup>18</sup>Stanley Rosen, "Prosperity, Privatization and China's Youth," *Problems of Communism*, vol. 34, no. 2 (1985), pp. 1-28.

**Stanley Rosen** is the author of *Red Guard Factionalism and the Cultural Revolution in Guangzhou* (Boulder: Westview Press, 1981) and the coeditor of *Policy Conflicts in Post-Mao China* (1985) and *On Socialist Democracy and the Legal System* (1985).



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*"The Chinese leaders, although they intend to establish a limited 'rule of law' in China, have so far paid little attention to legal procedure. They appear to believe that the ends can justify the means."*

## China's Legal Reforms

BY HUNGDAH CHIU

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ONE of the major concerns of the post-Mao Zedong leadership is to strengthen the socialist legal system in order to provide a more secure and stable environment for the ambitious Four Modernizations program. To achieve this goal, China has taken a series of measures<sup>1</sup> to reform its legal system in an attempt to establish a limited degree of a "rule of law" and respect for human rights while still maintaining the dominant control of the Chinese Communist party (CCP).

On January 1, 1980, China's Criminal Law and Criminal Procedure Law, both promulgated in mid-1979, came into force. On January 1, 1982, the Provisional Act on Lawyers, which was enacted in 1980, also came into force, though before that date China had already allowed certain lawyers to start practice.

China has also greatly expanded legal education and research. It is reported that today the People's Republic has 29 universities with law departments, 4 political-legal institutes, and a political-legal university with an undergraduate school, a graduate school, and a school for training cadres. The current enrollment of all law students is about 13,000, with more than 5,000 to be graduated this year.

Legal publications in the form of periodicals, books and other writings are also flourishing. A Legal Research Institute was established in the Chinese Academy of Social Sciences to engage in advanced legal research. Many Chinese lawyers have visited foreign countries and many foreign lawyers have been asked to visit China.

The highlight of legal reform was the enactment of a new constitution on December 4, 1982, which a prominent Chinese scholar observed as making "clear the important principle of governing a country by law and fully

confirming the rule of law.'"<sup>2</sup> Amid these positive developments geared toward a more stable system, from 1981 to 1985 China engaged in an anticrime (including corruption) campaign in which at least more than 10,000 people were summarily executed.

Before the promulgation of the present constitution in 1982, China lived under one provisional constitution (1949) and three formal constitutions (1954, 1975 and 1978). Furthermore, a 1970 draft constitution was recalled before its promulgation. China was never without a constitution; but few paid attention to the constitution.

China's leaders were fully aware of this situation. The preamble of the 1982 constitution provides that

the people of all nationalities, all state organs, the armed forces, all political parties and public organizations and all enterprises and undertakings in the country must take the constitution as the basic norm of conduct, and they have the duty to uphold the dignity of the constitution and ensure its implementation.

This constitution, like all previous documents, has a preamble and four chapters. The preamble's importance lies in the fact that it indicates how China perceives recent developments in Chinese history and reveals policy trends, both domestic and foreign. Changing Chinese interpretations of recent Chinese history and new policy positions required discarding the entire constitution. Amendment was too cumbersome. Thus the present leadership decided to discard the 1978 constitution which stated in the preamble that "the triumphant conclusion of the first Great Proletarian Cultural Revolution has ushered in a new period of development in China's socialist revolution and socialist construction," a position that is contrary to the present leadership's view that the Cultural Revolution meant "ten years of disaster."

Chapter 1 is entitled "General Principles" and set forth, *inter alia*, China's political and economic system and its general policies. Article 1 states that the People's Republic is "a socialist state under the people's democratic dictatorship led by the working class and based on the alliance of workers and peasants." It also declares that the "socialist system is the basic system" and that "sabotage of the socialist system by any organization or individual is prohibited." Article 3 states that "the state organs of the People's Republic of China apply the principle of democratic centralism." These provisions make i

<sup>1</sup>For details, see Shao-chuan Leng and Hungdah Chiu, *Criminal Justice in Post-Mao China: Analysis and Documents* (Albany, N.Y.: State University of New York Press, 1985), chapters 3 and 4; Hungdah Chiu, *Socialist Legalism: Reform and Continuity in Post-Mao People's Republic of China*, University of Maryland School of Law Occasional Papers/Reprints Series in Contemporary Asian Studies, no. 1 (Baltimore, 1982).

<sup>2</sup>Yu Haocheng, "The New Constitution Establishes the Important Principles of Governing a Country by Law under the Leadership of the Party" (in Chinese), in China Law Association, *Xianfa lunwenxuan* (Selected essays on constitutional law) (Beijing: The Law Press, 1983), p. 121.

clear that the People's Republic is essentially a totalitarian system; no challenge to its socialist system is allowed and the decision-making process lies in the hands of a few in the name of "centralism."

Chapter 2 of the 1982 constitution deals with the fundamental rights and duties of citizens. In previous constitutions, it was always placed in chapter 3, after the chapter on the structure of the state (now in chapter 3 of the 1982 constitution). Chapter 4, the last chapter, provides for a national flag, national emblem and capital.

Generally speaking, except for the missing stipulation on freedom of residence,<sup>3</sup> the constitution restores or expands the provisions on individual rights and freedoms in the 1954 constitution. Most notable is equality before the law for all citizens of the People's Republic of China (Article 33). As for religious freedom, the constitution drops the right to propagate atheism contained in the 1978 constitution. It states that "the state protects normal religious activities" but adds that no religious affairs may be "subject to any foreign dominations" (Article 36). The constitution guarantees the "freedom and privacy of correspondence" and at the same time permits public security or procuratorial organs to censor correspondence in accordance with the procedures prescribed by law to "meet the needs of state security or of investigation into criminal offenses" (Article 40).

Among the major new additions of the constitution is the provision that the "personal dignity of citizens of the People's Republic of China is inviolable. Insult, libel . . . or slander against citizens by any means is prohibited" (Article 38). There is also an added statement on the freedom of person: "Unlawful deprivation or restriction of citizens' freedom of person by detention or other means is prohibited; and unlawful search of the person of citizens is prohibited" (Article 37). The constitution specifically stresses that the rights of citizens are inseparable from their duties (Article 33). Chinese people not only have the right but also the obligation to work (Article 42), and to receive education (Article 46). Added to the list of citizens' duties are safeguarding state secrets (Article 54) and refraining from infringing "upon the interests of the state, of society and of the collective or upon the lawful freedoms and rights of other citizens" when exercising their freedoms and rights (Article 51). These vaguely phrased provisions can be invoked by the authorities to restrict constitutional citizen freedoms.

The new constitution does not make the support of the party leadership a specific duty for Chinese citizens (as was the case in Article 56 of the 1978 constitution). Nevertheless, this may indicate only a subtle shift of emphasis in the drafting skill of the constitution; the preamble of this constitution affirms the adherence of the "four basic principles"—namely, keeping to the socialist road, upholding the dictatorship of the proletariat, and

insisting on party leadership and Marxism-Leninism-Mao Zedong thought, including the leadership of the party. The constitution also eliminates the provision of the freedom to strike which, along with the "four big rights," was incorporated into Article 45 of the 1978 constitution as a result of Maoist influence.

In Article 41, the constitution provides the right of citizens to criticize and to file complaints with state organs and establishes the principle of state compensation for infringing on the civil rights of citizens. This right was provided in Article 97 of the 1954 constitution, but the present constitution is more specific. Nonetheless, it sets an important restriction on the filing of a complaint by prohibiting so-called "fabrication or distortion of facts for the purpose of libel or frame-up." Since Article 138, paragraph 1, of Chinese Criminal Law imposes criminal sanction on fabricating facts or bringing a false charge, this may discourage citizens from filing complaints.

Besides the provisions contained in chapter 2 of the constitution, other provisions are closely related to the implementation of citizens' rights and duties under the constitution. Chapter 1, Article 5 of the constitution establishes the supremacy of the constitution in China:

The state upholds the uniformity and dignity of the socialist legal system.

No law or administrative or local rules and regulations shall contravene the constitution.

All state organs, the armed forces, all political parties and public organizations and all enterprises and undertakings must abide by the constitution and the law. All acts in violation of the constitution and the law must be looked into.

No organization or individual may enjoy the privilege of being above the constitution and the law.

There was no comparable article in any previous Chinese constitution. Including this article in the 1982 constitution shows that the leadership is more serious about enhancing the status of the constitution.

Moreover, the 1982 constitution restores the provisions of the 1954 constitution on judicial and procuratorial independence in Articles 126 and 131 of chapter 3. Article 126 provides:

The people's courts shall, in accordance with the law, exercise judicial power independently and are not subject to interference by administrative organs, public organizations or individuals.

Article 131 is the same as above, except "people's courts" and "judicial" were replaced by "people's procuratorates" and "procuratorial" respectively.

## CIVIL RIGHTS

The constitutional provisions, if they were substantially implemented, would certainly provide a degree of a "rule of law" and respect for human rights. However, there still remains a sharp discrepancy between the law and reality. There are several reasons for this situation. First, constitutional provisions are drafted in general terms and they must be implemented through legislation

<sup>3</sup>China strictly restricts a person's freedom of movement and right to change residence. For example, rural area residents are not allowed to move to the city without special permission.

or administrative decrees. For instance, the state compensation for infringing upon civil rights, provided in Article 41, paragraph 3, cannot be enjoyed by citizens because there is no such legislation now.

Given time, however, all necessary legislation could theoretically be enacted, and this should not be considered a serious problem. The real concern is whether China's legislative and administrative organs can enact law or promulgate administrative decrees to curtail citizens' rights and increase citizens' duties under the constitutions. Some examples illustrate this point.

While Article 33, paragraph 2, of the constitution guarantees "equality before the law" for "all citizens," China's election law discriminates against rural area citizens in electing delegates to the National People's Congress. According to China's Election Law, one delegate is elected for every 130,000 persons, while rural residents can elect one delegate for every 1,040,000 persons.<sup>4</sup> Since 80 percent of all Chinese live in rural areas, the election law discriminates against the great majority of the Chinese people.

Article 49, paragraph 2, provides that "both husband and wife have the duty to practice family planning," but the State Council arbitrarily establishes the principle of a single child for each family and decrees a forced abortion for a woman intending to have a second child. Severe sanctions in the form of fines, expulsion from work and others are imposed on violators.<sup>5</sup>

These examples demonstrate that the basic problem for Chinese citizens under the constitution is that there is apparently no effective mechanism in the constitution to prevent the legislative and administrative organs from curtailing such rights and increasing their duties in disregard of constitutional provisions.

Theoretically, the Chinese constitution is the supreme legal instrument, and according to Article 5, paragraph 2, "no law or administrative or local rules and regulations shall contravene the constitution." So-called "basic statutes" (laws) rank second in the hierarchy of legal order, and they can only be enacted and amended by the National People's Congress (Article 62, paragraph 3). Next in binding force are statutes enacted by the Standing Committee of the National People's Congress (Article 67, paragraph 2).

The State Council can, however, exercise the power "to adopt administrative measures, enact administrative rules and issue decisions and orders in accordance with the constitution and the statute" (Article 89, paragraph 1). According to a prominent Chinese legal official, the enactment of administrative rules by the State Council does not need prior approval by the NPC or its Standing Committee, nor does it require the State Council to file with these organs for record. In other words, all administrative rules enacted by the State Council are presumed to

be consistent with the constitution and the statutes. Although under Article 67, paragraph 7, of the constitution, the Standing Committee of the NPC can exercise the power "to annul those administrative rules and regulations, decisions or orders of the State Council that contravene the constitution or the statute," so far no such case has arisen. Moreover, there is no procedure for an individual to challenge the legality of administrative rules issued by the State Council.

In accordance with Article 5, paragraph 2 of the constitution, the laws enacted by the NPC should not contravene the constitution. However, in reality, the NPC can enact any laws it wishes in disregard of the spirit and letter of the constitution. This is because the constitution has given the power to interpret the constitution to the NPC's Standing Committee (Article 67, paragraph 1). It is beyond imagination that this subordinate organ would interpret a law enacted by its parent organ, that is, the NPC, as "unconstitutional."

The constitution restricts the NPC Standing Committee's power only "to enact, when the National People's Congress is not in session, partial supplements and amendments to statutes enacted by the National People's Congress provided that they do not contravene the basic principles of these statutes" (Article 67, paragraph 3). But in fact the Standing Committee can, with respect to the statutes enacted by the NPC, do as it pleases because it has the power to interpret statutes (Article 67, paragraph 4). It is unlikely that the Standing Committee would interpret its supplement or amendment to a NPC statute as contravening the basic principles of that statute. This situation can best be explained in several NPC Standing Committee's decisions adopted during the Anti-Crime Campaign.

## THE ANTI-CRIME CAMPAIGN

Before the death of Mao Zedong, the PRC rarely reported its crimes, creating the myth that China was practically a crime-free society. In recent years China has occasionally given crime figures. In a report to a United Nations crime conference held in August, 1980, Vice Minister of Justice Xie Bangzhi disclosed that China's crime rate averaged about 570,000 crimes a year. From 1950 to 1965, he said, the average number of cases annually was only 290,000.<sup>6</sup> By Western standards, the crime rate is still low; however, the Chinese authorities can send a person to reeducation through labor without a trial, and the actual number of persons in labor camps (where most sentenced criminals are sent) is fairly high.

Ironically, since China began to allow more economic freedom and to exert less strict control on the movement of people, the crime rate has risen significantly. The high unemployment rate among youth is one of the main causes of increasing crime. The crime rate continued to rise in 1981 and on June 10, 1981, the NPC Standing Committee adopted two resolutions to deal with the problem of crime. The first granted to higher people's

<sup>4</sup>See 1983 *Zhongguo baike nianjian* (1983 yearbook of the encyclopedia of China) (Shanghai: New China Press, 1983), p. 226.

<sup>5</sup>See Michael Weisskopf, "China's Birth Control Policy Drive," *The Washington Post*, January 8, 1985, pp. A1, A11.

<sup>6</sup>"China Posts Crime Rate," *The Washington Post*, August 30, 1980, p. A24.



courts, for the period of 1981-1983, the right to approve death sentences for murderers, robbers, rapists, bomb throwers, arsonists and saboteurs. Under the Criminal Procedure Law, however, the death sentence must be approved by the Supreme Court. The second resolution provided for heavier penalties for escapees who are undergoing reform or reeducation through labor. A nationwide campaign against crime was then launched.

During the campaign, the Chinese press frequently reported mass meetings to pronounce death sentences and the immediate execution of the accused after the meeting. Despite the existence of all procedural guards provided in the Criminal Procedure Law, Chinese judicial authorities apparently paid little attention to them. For instance, on June 23, 1981, the Nanjing Municipal Intermediate People's Court convened a 10,000-person mass rally, where a murderer named Luo received the death penalty and was immediately executed. It took only eight days for the whole legal process, from the arrest of Luo to his execution, including police investigation, prosecution, trial, sentencing, and his appeal to the Provincial Higher Court.<sup>7</sup>

Under China's Criminal Procedure Law, a copy of the indictment must be delivered to a defendant at least seven days before the court hearing. After receiving a court's judgment, the defendant can file his or her appeal within ten days. How the case was handled within eight days was not explained.

The anti-crime campaign was intensified in 1983 and 1984. On September 2, 1983, the NPC Standing Committee adopted a resolution to amend Article 13 of the Organic Law of People's Courts, enacted by the NPC, to allow the Supreme People's Courts to delegate the authority to approve death sentences to the provincial-level higher people's courts in cases of murder, rape, robbery, the use of explosives, and other serious offenses. Another resolution of the NPC Standing Committee removed practically all guarantees of due process provided in the Criminal Procedure Law for persons accused of murder, rape, armed robbery and other violent crimes.

The resolution made ineffective Article 110 of the Criminal Procedure Law, which requires that the defendants must receive a copy of the indictment at least seven days before the trial in order to prepare their defense. It also limited the time limit for appeals to three days instead of the ten days stipulated in Article 131 of the Criminal Procedure Law. In another resolution adopted on the same day, the NPC Standing Committee revised

the Criminal Law, enacted by the NPC. The revision increased sharply the number of capital offenses to cover virtually any serious crime, and ordered the courts to impose stiffer penalties, including execution, on people convicted of violent crimes.

Under the amended Criminal Law and Criminal Procedure Law, a person charged with one of the violent or serious crimes could be executed within eight days or so, including arrest, investigation, prosecution, sentencing, appeal and execution.<sup>8</sup> No one in China has raised the constitutional issue of whether the NPC Standing Committee's amendments to those basic laws are contrary to the laws' basic principles.

Condemned accused are usually paraded in public before execution and humiliated in other ways: for example, they are forced to keep their heads bowed and wear placards proclaiming their crimes. They are frequently executed in public, despite the fact that Article 155 of the Criminal Procedure Law provides that "the condemned should not be exposed to the public."

Despite the existence of a Criminal Procedure Law which provides for conducting "trials in public" (Article 8), little is known about the procedure followed at the trials of people sentenced to death, except the occasional release of scanty information on trials by the press or in legal periodicals. Public notices summarizing the cases of condemned offenders are usually posted outside the buildings of the court that has passed the sentences. The notices include some biographical data about the condemned offenders, but they usually give almost no information about the procedures followed at the trials. According to various sources, such proceedings are very summary. Because the Chinese courts seek to conclude criminal cases very quickly, it is almost impossible for the accused to exercise effectively his or her right of defense.<sup>9</sup>

A recent Chinese article revealed that during the anti-crime campaign some Legal Adviser Offices, where Chinese lawyers are required to practice, were reluctant to accept cases for accused criminals. Some courts even rendered the sentences before the trials, and a judgment was written up before the case was heard.<sup>10</sup> The Criminal Procedure Law still refuses to adopt the principle of presumption of innocence. Thus, once a person is arrested he or she is almost certain to receive criminal sanction.

Most of those executed were from 15 to 40 years old. Many were unemployed. Although many of those executed were apparently convicted of murder, rape, robbery, or other violent crimes, people were also executed for a wide range of other offenses. For instance, a worker

(Continued on page 275)

<sup>7</sup> *Renmin Ribao* (People's Daily), June 25, 1981, p. 4; *China Daily*, June 26, 1981, p. 3.

<sup>8</sup> *China, Violations of Human Rights, Prisoners of Conscience and the Death Penalty in the People's Republic of China* (London: Amnesty International Publications, 1984), p. 69.

<sup>9</sup> *China, Violations of Human Rights*, p. 65.

<sup>10</sup> A. Zhang, "The Tender Feelings of a Lover Just Like Water and the Lofty Ambition Just Like Steel—the Sorrow and Joy of a Lawyer" (in Chinese), *Minzhu yu fazhi* (Democracy and legal system), 1985, no. 2 (67), p. 16.

**Hungdah Chiu** has published widely in the field of Chinese law. His most recent book, coauthored with Shao-chuan Leng, is *Criminal Justice in Post-Mao China: Analysis and Documents* (Albany: State University of New York Press, 1985).

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# BOOK REVIEWS

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## ON CHINA

**THE CRITIQUE OF ULTRA-LEFTISM IN CHINA, 1981–1985.** *By William Joseph.* (Stanford: Stanford University Press, 1984. 312 pages, notes, bibliography and index, \$35.00.)

Joseph's book provides a helpful background to the current leadership's pronouncements on the "errors" of the recent past. Case studies of the "rightist" criticisms levied against "ultra-Leftism" during the Great Leap Forward, the Cultural Revolution, and the trial of the Gang of Four show the twists and turns in Chinese political thought and how the criticisms were viewed by the Chinese political leadership. W.W.F.

**BLOOMING AND CONTENDING: CHINESE LITERATURE IN THE POST-MAO ERA.** *By Michael S. Duke.* (Bloomington: Indiana University Press, 1985. 291 pages, notes, bibliography and index, \$22.50.)

Political liberalization has not accompanied China's modest economic liberalization. This is most obvious in the case of literature and journalism. Michael Duke points out that there has been a change in the party's attitude toward literature since 1977, but writers are still required to adhere to the correct party "line." His survey of the changes in party attitudes toward literature and his discussion of several important writers who have emerged in the last 7 years gives an overview of the main currents in Chinese writing and criticism. W.W.F.

**CHINA BRIEFING, 1984.** *Edited by Steven M. Goldstein.* (Boulder, Colo.: Westview Press, 1985. 125 pages, notes, chronology and index, \$22.00, cloth; \$12.50, paper.)

This annual collection of essays published in cooperation with the China Council of the Asia Society includes a noteworthy piece by Martin Whyte on changes in Chinese society and a detailed discussion of the economic reform by Dorothy Solinger. Solinger notes that the reform program is by no means firmly in place and that those positing the arrival of unfettered capitalism in China are too optimistic; the party is unlikely "to let the fundamental framework of Chinese socialism slip from existence altogether." W.W.F.

**THE MAKING OF FOREIGN POLICY IN CHINA: STRUCTURE AND PROCESS.** *By A. Doak Barnett.* (Boulder, Colo.: Westview Press, 1985. 160 pages, notes and index, \$18.50, cloth; \$10.95, paper.)

The structure of China's foreign policymaking apparatus is examined by this respected China scholar, who

was allowed to interview several leading government officials and academicians involved in the formation of recent foreign policy. W.W.F.

**HUMAN RIGHTS IN POST-MAO CHINA.** *By John F. Copper, Franz Michael and Yuan-li Wu.* (Boulder: Westview Press, 1985. 117 pages, notes, bibliography and tables, \$15.00.)

This study of human rights in China begins with the nation's humanist tradition and continues through the rule of Mao Zedong. The present state of human rights is then evaluated in the context of changes in China's politics, legal system, economy and intellectual sphere since Mao. The authors deny any advance in human rights, saying that virtually no more emphasis has been placed on the rights of individuals: "If the space has widened for the caged bird, the cage still remains."

Susan A. Seitner  
Current History staff

**SOCIETY AND POLITICS IN HONG KONG.** *By Siu-kai Lau.* (New York: St. Martin's Press, 1983. 205 pages, notes, index and bibliography, \$25.00.)

Lau Siu-kai's study of post-World War II Hong Kong examines the political and social structure that has made Hong Kong's economic stability and success possible. The author sees this "minimally integrated" social-political system gradually being transformed into a society where the government will be increasingly active in Chinese society. S.A.S.

**CHINA: SEVENTY YEARS AFTER THE 1911 HSIN-HAI REVOLUTION.** *Edited by Hungdah Chiu with Shao-Chuan Leng.* (Charlottesville: University of Virginia Press, 1984. 601 pages, notes, index and bibliography, \$20.00.)

This collection of 16 articles deals with both the People's Republic of China and the Republic of China (Taiwan). Their historical, economic, political, legal, cultural and social development are compared and their foreign policies toward the rest of the world and toward each other are evaluated. S.A.S.

## ALSO RECEIVED ON CHINA

**GERMANY AND REPUBLICAN CHINA.** *By William C. Kirby.* (Stanford: Stanford University Press, 1984. 361 pages, notes, bibliography and index, \$35.00.)

**A STRATEGIC MODEL OF CHINESE CHECKERS: POWER AND EXCHANGE IN BEIJING'S INTERACTIONS WITH WASHINGTON AND MOSCOW.** *By Peter Kien-hong Yu.* (New York: Peter Lang Publishing, 1985. 221 pages, notes, appendixes and bibliography, \$27.50.)

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## FOOD IN CHINA

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still postponed price reform. When measured as a share of disposable income, the cost of food in China has declined since 1978 but it remains very high. In 1964, a survey by the State Statistical Bureau found that urban families spent 69.4 percent of their income on food; in 1980 the first survey in 16 years put the share at 60.6 percent.<sup>15</sup> Since then, the Chinese have published more information indicating similarly high expenditures: 59.3 percent for rural families in 1983, down from 67.7 percent in 1978, 59.2 percent for urban families in 1983, the same percentage as that of 20 years earlier.

A 1983 survey showed that of all the money spent on food among worker families, 55 percent goes to purchase meat, vegetables, fruits and eggs, 21 percent is spent on grain and the rest on beverages, tea and sugar.<sup>16</sup> An average Chinese worker must still labor about twice as long as his Taiwanese counterpart for the same amount of rice and pork; in comparison with Japan, these differentials rise to, respectively, four and six times.<sup>17</sup> But expensive as Chinese foods (and above all, animal protein) are, they would cost much more if billions in state subsidies were removed. While the state purchasing prices for farm products rose about 50 percent since 1978 to spur *baogan*'s productivity, retail prices for basic foodstuffs are now only about 25 percent above the level of the mid-1960's.

Obviously, the arrangement of buying high and selling low must eventually end. But the first serious announcement about the inevitability of future price changes caused a wave of panic buying and hoarding in October, 1984, and although the top leaders have said repeatedly that the country's irrational and confused price system must be reformed they have been also stressing the gradual nature of the changes. The first round of increases in May, 1985, affected the 20 largest cities and applied to pork (up by over 30 percent), chicken (almost 50 percent higher), fish (for some species doubling, even tripling, the price), and vegetables. At the same time, subsidies of up to Rmb7.50 (roughly a tenth of the average monthly urban wage) were issued to cover the higher cost. Further price rises will follow, but the government has promised to keep some subsidies for grains and oils indefinitely.

The essential nature of these reforms will be appreciated when it is realized that price subsidies now claim one-seventh of the state's income. But the sensitive nature of the task can be understood when one is reminded that price subsidies have been an essential part of Chinese life for three decades and that any fundamental change will be accompanied and followed by wage reforms and growing regional disparities.

Still, successful progress in price reform would bring far greater benefits—a responsive, flexible, market-oriented system with strong incentives for optimum diversification, which is the true hallmark of modern food production. How far from this goal the Chinese are is easily illustrated by a few examples highlighting the country's food processing and services. While in the industrialized countries more than four-fifths of all crops and animal products are processed into thousands of foodstuffs, in China over 90 percent of all food is sold as produced, guaranteeing nutritional monotony and kitchen inconvenience.

With two-income, one-child families becoming the norm in large cities, there is more need and more money for a wide range of traditional and modern convenience foods, with the current demand vastly surpassing the meager offerings. For instance, less than 40,000 tons of instant noodles were produced nationwide in 1983 (that is, a mere 40 grams a year per capita), and shortages of sweet and salty biscuits, and crackers, dried fruits, dried and pickled vegetables, processed meats, instant soups and various traditional ready-to-eat snacks and meal accompaniments—like crullers (*youbing*), sesame biscuits (*shaobing*), twisted fried cakes (*mahuar*), steamed meat-filled buns (*baozi*), and fried rice flour cakes with sweet filling (*zhagao*)—remain widespread.

There has been a revival of snack shops and teahouses and restaurants, but Beijing still has less than five percent of Tokyo's eateries. In cooperation with the French, the Chinese are making a table wine for export ("Great Wall" brand) but beer production for the huge domestic market remains pitifully small. True, it has taken off, from 690,000 tons in 1980 to the planned total of two million tons in 1985, with most of the increase coming from many expanded and newly established local breweries. But the per capita average is just short of two liters a year, an order of magnitude below the European average and less than one-fiftieth of the annual consumption in the world's top beer-drinking nations (Czechoslovakia and West Germany).

And so the typical Chinese diets remain monotonous, grain-dominated, and relatively rather expensive. But unlike very recent diets, today's diets appear to supply, on the average, enough energy and protein for normal growth and healthy life. Detailed output statistics make it possible to prepare food balance sheets with a minimum of guessing—and to compare them with the official claims of energy, protein and lipid availability.

As for average daily food energy, protein and lipid availabilities, these values are calculated at 2,700 kcal and 85 g, and 40 g, respectively, with plant foods supplying 95, 85 and 55 percent of the totals. The continuing dominance of plant foods, cereals in particular, is obvious. Considering the youthful age structure of the population, its typical weights and activity levels, the 2,700-kcal level would be sufficient to cover average dietary requirements. However, a food bal-

<sup>15</sup>Xinhua in English, *SWB*, no. 1132 (May 6, 1981), pp. 3–4.

<sup>16</sup>*Statistical Yearbook of China, 1984* (Hong Kong: Economic Information and Agency, 1984), p. 464.

<sup>17</sup>W. Klatt, "The Staff of Life: Living Standards in China, 1977–81," *The China Quarterly*, no. 93 (1983).



ance sheet does not reveal how much people actually eat; it indicates merely how much is available at retail level. The differences between food balance sheet averages and the value of actual daily intakes determined by periodical dietary surveys in industrialized countries are at least 25 percent and as much as 40 percent.

In China one would expect less of a difference between the two values, and the results of a 1983 nutritional survey of 7,605 people in Beijing municipality, which showed average per capita intakes of 2,371 kcal in urban households and 2,512 kcal in rural households,<sup>18</sup> indicate that the gap is between 8 and 15 percent. Chinese publications have repeatedly mentioned that 2,600 kcal are needed to satisfy average dietary requirements but my calculations, based on the age-sex and occupational distributions from the 1982 census and on new measurements of energy expenditure levels, indicate that the most likely mean should be around 2,300 kcal. By 1983, if not by 1982, the Chinese had, finally, enough to eat.

This is, of course, *baogan's* greatest achievement, although it must be kept in mind that this average conceals the incipient affluence of Shanghai, Jiangsu, coastal Zhejiang, Guangzhou-Foshan and suburban Beijing. There are at least 90 million people, mostly in the northwest and the southwest who, according to an official appraisal cited by Deng Xiaoping, still do not have enough to eat.<sup>19</sup> And the poor quality of the average diet is a drawback not easily overcome. ■

<sup>18</sup>Xinhua in English, *SWB*, no. 1263 (November 23, 1983), pp. 1-2.

<sup>19</sup>Deng Xiaoping, "Current Policies Will Continue," *Beijing Review*, vol. 28, no. 4 (1985).

## HONG KONG AND CHINA

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Elected district boards are to play the role of the neighborhood associations. Functional representatives in the Legislative Council are to play the role of the advisory councils. Ultimate authority will be insulated from direct popular pressure through a series of indirect elections. After March, 1985, district boards will be two-thirds elected and only one-third appointed. In September, 1985, the Legislative Council is to acquire a number of indirectly elected members, including some elected by an electoral college from the district boards, some elected by functional groups (unions, lawyers, medical professionals, social workers, educators), and some chosen from urban and regional councils, as well as officials and appointed members. In 1987, this system of indirect elections will be reviewed.

While this system has the virtues of closely resembling the existing system, providing genuine indigenous rule, probably being acceptable to Beijing, and balancing popular representation with the potential for authoritative leadership, it involves several risks. It forces members of the elite to run for district office in order eventually to attain high leadership positions, which the elite may

prove unwilling to do. The indirect election system may not generate enough electoral enthusiasm to legitimate the system and prevent the emergence of a political vacuum. District boards representing very small districts may maximize ethnic conflict.

These concerns are real but manageable, and the British have left room for pragmatic adjustments. In particular, they have begun with a system of very indirect elections, on the theory that one can always make an electoral system more direct, but that the scope of direct elections, once increased, can never be narrowed again.

It remains to be decided how the Governor and the Executive Council will be chosen, and what the relationships among the Governor, the Executive Council, and the Legislative Council will be. One suggestion is that the Legislative Council should elect the Executive Council; the Executive Council should make a list of candidates for Governor; and the Legislative Council should then designate one of those candidates as its preference. Beijing could then be invited to accept or reject the designated Governor. If this system is chosen, and if Beijing accepts it, a further controversy arises as to whether Cabinet ministers must be chosen from the Legislative Council. All this is so indirect that fears of populist democracy have no immediate basis in fact.

China's basic policy is that Hong Kong can govern itself as long as it governs itself well. In this respect, it is noteworthy that China nominated only four candidates for district boards and that, while it nominated one of four members of a labor advisory group, it did not oppose the two independents and one rightist who took the other seats. (It will, however, oppose any candidate with ties to Taiwan.) Governing well means governing profitably, governing without disorder, preserving China's financial nest egg in Hong Kong, and abjuring unseemly attitudes toward Beijing's domestic and international interests. Hong Kong must resist the temptation to apply the concept of a free press too broadly or to treat too freely with Taiwan. Beijing must resist the temptation to dampen Hong Kong's speculative excesses or to improve its morals. So far, both sides seem to understand and respect the taboos.

There are enough controversies to ensure that euphoria will not last forever in Hong Kong. Nevertheless, under almost any circumstances Hong Kong will be for most of the next decade the freest place in Asia and one of the three most efficient areas to conduct financial business. Taiwan is so heavily regulated that it cannot compete. Singapore, although freer than Taiwan, is still far more controlled than Hong Kong. Japan, although gradually liberalizing its far larger domestic market, remains a highly controlled and culturally xenophobic environment, with an impermeable language barrier.

The setbacks of the Hong Kong real estate market since September, 1982, and the devaluation of the Hong Kong currency have somewhat controlled the extraordinary real estate costs that were threatening Hong Kong's

bid to be a base for service industries. Conversely, the risks in Hong Kong's future are basically the same kinds of credit and currency risks that banks face anywhere, albeit with somewhat wider swings. For these reasons, Hong Kong has the advantage in the race to be the financial capital of Asia.

A second critical role of Hong Kong has always been to serve as a gateway to China. The Chinese reform program is developing enormous momentum. This momentum may well suffer some temporary reverses, but it has already been institutionalized in agriculture and in some aspects of industry. Chinese industry's demand for foreign inputs is accelerating, and Chinese consumer demand is also growing. China increasingly needs Hong Kong's specialized financial services, and it needs Hong Kong as an airlock for Western technology and expertise. China has been increasing its investments in Hong Kong real estate and Hong Kong commerce and, even when other banks have been avoiding further commitments in Hong Kong, China's 13 "sister banks" have been opening new Hong Kong branches.

China is systematically making itself more dependent on Hong Kong, and is effectively expanding Hong Kong physically by the way it is managing the adjacent Shenzhen Special Economic Zone. The opening of much of the rest of the China coast to foreigners and foreign enterprise has not reduced Hong Kong's role; it has instead greatly expanded the Chinese market for Hong Kong's special talents. Likewise, each further opening enhances Hong Kong's role as a gateway for tourists.

Third, Hong Kong's role as a major export manufacturing center has been reinforced. The low end of Hong Kong's market, for instance, cheap calculators, is booming because of exports to China, and the high end, sophisticated telephone equipment, for instance, is booming because of exports to the West. Hong Kong's sophisticated skills frequently combine with China's cheap labor to enhance Hong Kong's exports. Now that investors are no longer afraid of committing resources to five- or seven-year payback programs, both ends of the market should prosper.

Hong Kong is already acquiring a fourth role as a haven where China's elite families can live in comfort and freedom while retaining their influence in China proper. The sons and daughters and nieces and nephews of China's power elite are moving to Hong Kong, now that it is regarded (in principle, if not yet in British law) as part of China. They bring with them enormous influence; already large neighborhoods of Hong Kong are acknowledged by local Chinese as the political turf of this or that dignitary from Beijing. Eventually, such notables will bring with them enormous sums of money.

With time the use of English in schools and administration is likely to decline. Professional standards based on British criteria will gradually change. The interpretation of laws, hitherto based exclusively on British common law, is likely to be influenced by Chinese attitudes. Famili-

ly obligations will become more important than contractual obligations, and political considerations will assume a larger role in business dealings. And Chinese businesses and officials will become a much larger part of the Hong Kong market. Hong Kong will quickly become a much more Chinese city in language, in the influence of personal relationships on business, and in the way politics evolves. ■

## CHINA'S LEGAL REFORM

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was executed for stealing 1,600 grams (about 56.5 ounces) of gold and 43,000 grams (about 1,518 ounces) of silver. A female worker was executed for stealing 148 tons of state petroleum.<sup>11</sup> Two men were executed in Guangzhou (Canton) on September 5, 1983, after they had been convicted of hanging a banner with a "counterrevolutionary" slogan from a hotel window and plotting to set up a radio station and two subversive organizations. Two other men were executed on September 24, 1983, in Tianjin for organizing a traditional secret society based on ancient rituals and religious practices. A peasant was executed in Shanghai on September 13, 1983, for "molesting women," and two men were executed in Guangdong Province on October 26, 1983, after being convicted of stealing antiques from a museum.<sup>12</sup>

The total number of executions is not clear because China has not published any statistics. Basing their reports on scanty information within China, Western reporters estimate that the toll ranged from 5,000 to 9,000 between August, 1984, and January, 1985. It appears that in 1984 alone, China executed at least 10,000 people for offenses ranging from habitual robbery to counterrevolutionary activity.<sup>13</sup>

In November, 1984, a Chinese Public Security Ministry spokesman announced that the anti-crime campaign had resulted in the arrest of 70,000 persons, while 120,000 criminals had turned themselves in. He also pointed out that 70 percent of the crimes involved larceny.<sup>14</sup> The figure released by the Public Security Ministry appeared to be low and it apparently did not include anyone sent to reeducation through labor camps by police without trial. Under the Chinese legal system, such individuals are not considered under "arrest" or "criminals."

In April, 1985, the Supreme People's Procurator submitted a report to the third session of the Sixth National

<sup>11</sup>Zhang Zhiye, "Handling Crime Strictly According to Law—An Interview with the Vice-President of the Supreme People's Court," *Beijing Review*, vol. 27, no. 17 (April 23, 1984), p. 20.

<sup>12</sup>*China, Violations of Human Rights*, p. 61.

<sup>13</sup>See "Watching the Death Notices," *Far Eastern Economic Review*, vol. 127, no. 7 (February 16, 1984), p. 14; "Effective Warnings," *Time*, January 30, 1984, p. 24 and Michael Weisskopf, "China Says Crime Cut; Execution Up," *The Washington Post*, January 21, 1984, pp. A1, A20.

<sup>14</sup>*Country Reports on Human Rights Practice for 1984* (Washington, D.C.: U.S. Government Printing Office, 1985), p. 733.

People's Congress that revealed that 420,000 persons had been arrested with the approval of the procuratorates of various levels and 520,000 persons had been prosecuted (this number included those arrested in 1983 but prosecuted in 1984). According to official Chinese sources, the campaign has sharply reduced the crime rate by 42.5 percent for the three months ending November 30, 1983, compared with the same period of 1982. The campaign will continue to 1986.

### POLITICAL OFFENSES

During the Maoist period, the largest percentage of criminals were political offenders. Some former political prisoners have said the percentage was as high as 40 percent. Moreover, such offenders were mistreated in prison or reform-through-labor camps because they were regarded as the worst "enemies of the people." Under the post-Mao leadership, the number of political prisoners in China has been significantly reduced. One reason for this is that the newly enacted Criminal Law has narrowed the definition of a counterrevolutionary by stressing that such a person must have committed some overt act (Article 90) and that a damaging thought against the dictatorship of the proletariat and the socialist system is not a criminal act. This development is, however, limited by retaining the 1951 State Secret Law that includes almost everything in China not officially released to the public as "state secrets." Under Article 13 of this law, anyone who leaks "secrets" to a domestic or foreign enemy is subject to punishment as a counterrevolutionary.

Between 1978 and 1981, Chinese authorities arrested a number of intellectuals who advocated democracy and human rights. Usually they were detained for periods of over one year before being tried. The usual charges against them were "counterrevolutionary propaganda and agitation," organizing or taking part in a "counter-revolutionary group," incitement "to resist arrest or violate the law and statutes of the state," or leaking "state secrets." In most of these cases, the prisoners were tried in closed sessions without any advance notice to their family. Occasionally, a Chinese court conducted an "open trial," but only a selected audience (which did not include relatives) was invited to attend.<sup>15</sup>

### CONCLUSIONS

There are positive and negative aspects of legal development in China since 1980. The positive side is the entry into force of the Criminal Law and Criminal Procedure Law and the promulgation of a new constitution on December 4, 1982. All three documents are far from satisfactory because they contain escape clauses for Chinese authorities. But compared with the lawless situation of the Maoist period, this is a positive development.

Although China's leaders have tried to establish the principle of the supremacy of the constitution to assure a limited degree of "rule of law," there is no sufficient

mechanism built into the constitution to assure that the legislative body will not enact laws that may contravene the basic spirit and letter of the constitution. The interpretation and supervision of the constitution is entrusted to the Standing Committee of the National People's Congress—a legislative body. This arrangement is similar to the constitutions of the Soviet Union and other Communist countries; with the exception of Yugoslavia, none of these countries have taken their constitutions seriously. Moreover, there appears to be no procedure available to individual citizens to challenge unconstitutional legislation or illegal administrative rules or orders issued by various levels of the administrative organs.

Despite the promulgation of the new constitution and the entry into force of the Criminal Law and the Criminal Procedure Law, their effectiveness is curtailed because the government retains vaguely drafted earlier laws and practices. These include the 1951 State Secret Law, reeducation through labor, the use of analogy in prescribing criminal responsibility, and others.

The Chinese leaders, although they intend to establish a limited "rule of law" in China, have so far paid little attention to legal procedure. They appear to believe that the ends can justify the means. The anti-crime campaign is an example. In carrying out this campaign, they paid almost no attention to proper procedures prescribed by the constitution, the Criminal Law, and the Criminal Procedure Law. They intended to act quickly and thus dispensed with legal procedure. They exhibited similar attitudes in dealing with political dissidents. Under such circumstances, ensuring even a limited degree of a "rule of law" and limited respect for human rights in China will be a long time in coming. ■

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## SOCIETY AND REFORM IN CHINA

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gade youth into specialized households, providing funding for their initial efforts. As a result, reports of "10,000-yuan youth league branches" are beginning to appear in the press.

New organizational experiments are also being tried. For example, in one area of Sichuan, league members are being organized on the basis of interest, rather than locality. One can join a literature and art group, a sports group, a science and technology group and so forth, even if such league branches are outside one's residential district. If this new strategy to appeal to youth succeeds, it could signal the end of the CYL as an ideological-political organization. There are already indications that a "rich peasant mentality" is rearing its head in some areas; the Hubei provincial CYL committee has protested local regulations that stipulate that only youth from households in which the average income per person is 300 yuan can be considered for CYL membership.<sup>19</sup>

<sup>19</sup>*Nongcun qingnian*, November, 1984, p. 5; *Fujian qingnian*, November, 1984, p. 2; *Sichuan qingnian*, November, 1984, p. 15; *Hubei qingnian*, June, 1982, p. 24.

<sup>15</sup>*China, Violation of Human Rights*, p. 10.



Urban CYL organs have advanced with equally bold initiatives to appeal to changing youth values. Sailing in uncharted waters they sometimes hit a reef, as the recent "Miss Guangzhou" contest demonstrated. Organized by the municipal CYL committee, the contest included written and oral examinations and a talent competition, in addition to the usual appearance criterion. Even though there was no swimsuit competition, the contest never received endorsement from Beijing, and it is unlikely to be repeated. But it did point up a problem. Who are the appropriate youth models? How does Xie Ruqi, the beauty contest winner who works in the public relations department of a luxury hotel that caters to foreigners and overseas Chinese, compare to Zhang Haidi, the paralyzed young woman of extraordinary accomplishments who has been the "official" CYL model for youth since 1983?<sup>20</sup>

Judging from press accounts, if the CYL has a major ideological role to play, it is to help prepare the losers in this tight, competitive mobility market to lower their aspirations. Tension and resentment stemming from the limited and unequal opportunity structure have boiled over on occasion, as in the recent soccer riot following China's elimination from World Cup competition by Hong Kong.<sup>21</sup>

## CONCLUSION

The links being established between the CCP and various social forces under the impact of reform indicate the tentative character of the relationship. Is it possible that the new openness will be reversed, as cultural conservatives, disaffected cadres and unreconstructed Maoists join forces in opposition? In the early days of Deng's initiatives, the answer might have been affirmative. But although some scholars argue against the probable continuation of the "open door policy" toward the West,<sup>22</sup> there are sound reasons to doubt that there will be a return to pre-reform China.

First, the reform strategy has developed a strong socioeconomic constituency. The large increase in the production of consumer goods has built general support. In addition, technical experts and professionals are becoming indispensable to an increasingly sophisticated eco-

nomic, political and legal system. The reform of the urban economic structure, detailed in the Central Committee decision of October, 1984, should accelerate this trend.

The cumulative complexity of the domestic system and the long-term commitment to participation in the world economy have led to the passage of more than 100 comprehensive new laws since 1979, with many more still under discussion. Interpretation of these laws and of the contracts—both domestic and foreign—have become an important part of Chinese life and require the training of technical specialists. As one example of this, by the end of 1984 there were 18,500 full- and part-time lawyers. It is estimated that 34,000 new lawyers will be needed every year, although only 3,000 per year are currently graduating.<sup>23</sup>

Second, the vanguard organizations themselves are undergoing a transformation. By altering the socioeconomic basis of party and youth league recruitment, China's reformers are attempting to deny opponents of their modernization strategy an institutional base. The economic reform program is closely tied to the current party rectification and consolidation movement. The October, 1984, decision on urban economic reform specifically used economic growth as an indicator of successful party reform. Admittedly, this transformation will take a sustained effort. Among China's 40 million party members, only 4 percent have a college-level education, 13.8 percent have a senior high school or polytechnic school education, 42.2 percent have a primary school education, and 10.1 percent are illiterate. But the Central Committee has made the recruitment of intellectuals and technical specialists a high priority.

In the first six months of 1984, over 40 percent of new party members were professional or technical personnel. As part of this political reform, the CCP has selected 1,000 middle-aged officials as the core of China's future leadership. Considered the "third echelon"—in contrast to those of the revolutionary generation like Deng and those like Hu Yaobang who have risen through the bureaucracy since 1949—these officials are earmarked for provincial and ministerial posts as early as 1985 or 1986. Tens of thousands of others have been selected for eventual promotion to top posts in the prefectures and counties.

Some highly visible appointments must have raised eyebrows among party conservatives. For example, Wang Zhaoguo, the first secretary of the CYL central committee from 1982 to 1984, was a graduate of the National Center for Industrial Science and Technology Management at Dalian. The center was established in cooperation with the United States government in 1980, under the United States-China Science and Technology Agreement. The program is modeled on the curricula of graduate schools of business administration in the United States. Wang has recently been promoted to the directorship of the general office of the party's Central Committee. It is precisely the appointment of experts like

<sup>20</sup>*The Wall Street Journal*, June 3, 1985. *Zhengming*, March, 1985, pp. 20–21, reports on another beauty contest in Guangzhou held around the same time.

<sup>21</sup>FBIS, May 2, 1985, p. K15; *Jiaoyu yanjiu*, March, 1984, pp. 57–60; *Shanghai jiaoyu*, February, 1985, p. 2; Deborah Davis-Friedmann, "Intergenerational Inequalities and the Chinese Revolution," *Modern China*, vol. 11, no. 2 (1985), pp. 177–201; Stanley Rosen, "Recentralization, Decentralization and Rationalization: Deng Xiaoping's Bifurcated Educational Policy," *Modern China*, vol. 11, no. 3 (1985); *Far Eastern Economic Review*, June 6, 1985, p. 46.

<sup>22</sup>Susan Shirk, "The Domestic Political Dimensions of China's Foreign Economic Relations," in Samuel S. Kim, ed., *China and the World* (Boulder: Westview Press, 1984), pp. 57–81.

<sup>23</sup>JPRS-CPS-85-020, March 4, 1985, p. 36; *Christian Science Monitor*, April 4, 1985, pp. 25, 28.

Wang to positions previously reserved for "Reds" that is at the heart of Deng's strategy of party transformation.

The difficulties of controlling the pace of change, let alone reversing course, after economic development has been accorded the highest priority and has become the source of party legitimacy, were perhaps best demonstrated by the ill-fated spiritual pollution campaign of 1983–1984. The campaign was intended by Deng Xiaoping as a prelude to party rectification and as a way to reassert party hegemony over various groups—like students and cultural workers—who had taken advantage of the "crisis of confidence" in party/society relations to advance unorthodox ideas and "nonsocialist" interests. When leftist and conservative party members redirected the movement—largely as a self-protection against the impending rectification—to lash out at the new rich peasants, the technical intelligentsia, foreign investors, and others on whom the Four Modernizations depend, the campaign was quickly reined in.<sup>24</sup>

Ironically, the major effect of the spiritual pollution campaign may have been an acceleration of the reform program. The costs of a reverse course had become too high; and the very hint that an entrenched opposition could derail the modernization strategy was so alarming that the leadership took immediate steps to prevent a recurrence. ■

<sup>24</sup>Thomas B. Gold, " 'Just in Time!' China Battles Spiritual Pollution on the Eve of 1984," *Asian Survey*, vol. 24, no. 9 (1984), pp. 947–974.

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adjusting wages according to these two criteria, Zhao warned that the overall level of wages would not increase.

Related to this wage reform is a liberalization in the labor recruitment and appointment process. State enterprises are given the right to dismiss unsatisfactory workers, though dismissed workers will receive 50 percent of their monthly wages as severance pay while undergoing retraining. Managers, too, will lose lifelong tenure. A State Council directive announced that beginning on January 1, 1985, managers of state enterprises will be appointed for four-year terms that are renewable up to three times.<sup>17</sup>

Finally, the reform program will attempt to reorganize the administrative structure of the economy by downgrading the role played by provinces, prefectures and counties and elevating the role of cities. It is felt that the role of cities as economic centers was neglected in the Maoist period, which contributed to the growing rigidity and irrationality of the bureaucratic command economy. As part of the reform effort, many provincial-level commercial organs have been disbanded, and their functions are now performed by a growing number of commodity trade fairs organized by city governments and industrial ministries.

<sup>17</sup>*Beijing Review*, no. 1 (January 7, 1985), p. 8.

The measures introduced in 1984 are designed to make producers more accountable for their performance; link financial rewards more directly to the performance of individual enterprises or workers; free more resources to be allocated by market forces, including, to some extent, labor; and improve the market signals to guide resource allocation more effectively. To an increasing extent, the Chinese leadership seems willing to rely on the growth of the private and collective sectors to provide competitive pressure for prodding state enterprises toward greater efficiency. Despite official denials, the 1984 program seems intent on returning the management of the Chinese economy to the system existing in the early to mid-1950's, with state control of large-scale, key enterprises, and private and collective management of small-scale enterprises.

## PROSPECTS

In the history of reform in socialist economies, three factors apparently determine the duration and success of reform efforts: leadership commitment, reform design, and the political finesse of the reformers. The leadership's commitment to reform has been amply demonstrated in China. Decentralization is being pushed forward in spite of the considerable difficulties it has introduced, such as controlling the pace and orientation of investment, ensuring fulfillment of state plans, continuing budget deficits, and price and wage drift.

Through the first phase of reform, many of these problems could be attributed to the poor design and uncoordinated nature of the reform program. Reform measures were introduced in a piecemeal and ad hoc fashion, and their uneven implementation often subverted the original intent of the measures. For example, the transfer of resources to enterprise and local government control through profit retention and fiscal decentralization was expected to improve resource allocation by giving lower-level units the autonomy and flexibility to make production and investment decisions. However, the unreformed price and tax structures were sending out many distorted signals, so that decentralized investment in response to "market regulation" often resulted in creating excessive capacity in the processing industries. This factor contributed to the continuation of stagnant productivity in industry.

In addition, the inducement effect of profit-sharing incentives was largely unrealized, since weaknesses in implementation allowed enterprises to retain growing funds without improving performance. Nevertheless, there is reason to be optimistic that the design problem has been solved in the second phase. After six years of ad hoc experiments, Chinese planners seem to have put together a comprehensive and balanced program that should redress earlier problems and move reform in the right direction.

The most important factor determining the fate of the reform is the continuing ability of the Deng Xiaoping–Hu

Yaobang-Zhao Ziyang administration to maneuver through the political minefield of conflicting interests and rally support.

The structural reform of socialist economies creates many political conflicts. In attempting to alter the pattern of resource allocation by changing the locus of decision making and the criteria for choice, reform creates disequilibrating forces that often redistribute income, resources and power. Many reform efforts in East Europe were aborted by oppositions representing complex alliances of bureaucratic and ideological interests. As expected, market reforms in China have engendered opposition from groups whose incomes and control over resources are being diminished (e.g., the Ministry of Finance and the State Planning Commission).

The momentum of reform during the first phase was due in large part to the active support of local governments, who saw decentralization as a vehicle for expanding their control over resources. Their support was probably instrumental in helping the state overcome bureaucratic opposition and reverse the retrenchment that crept in during 1980 and 1981, when reform efforts appeared to have stalled and the Ministry of Finance was rallying anti-reform forces around the banner of growing budget deficits.

In the second phase, however, local governments can be expected to oppose reforms. The tax-for-profit scheme is designed to reapportion tax revenues in a way that ensures a larger share for the central government, and the contracting scheme is designed to wrest control of local, mostly small-scale enterprises from local government control. Thus the spear of reform now points directly at local power.

With local governments in opposition, the balance has shifted dramatically. Will the Deng-Hu-Zhao administration be able to weather the next storm of anti-reform sentiments? The outcome will depend ultimately on whether the second phase of reform can produce economic results in the urban sector. In the short run, the two major storms on the horizon are inflation and ideological backlash.

Inflation and growing income disparities traditionally rally anti-reform forces in socialist economies. Inflationary pressures have been very intense in China, although official price indices reflect only a minor portion of the increases. For example, the official retail price index rose only 2.8 percent in 1984, and the cost of living index rose only 2.7 percent, greatly underestimating the true rate of inflation.<sup>18</sup> In the producer goods sector, inflation has been fueled by the rising level of investment, which the government has been unable to control through the reform period. In the consumer goods sector, the rising incomes in both urban and rural areas are giving rise to an unprecedented growth in consumer spending that has

outpaced production increases. In his report to the National People's Congress in March, 1985, Zhao warned that excessive investment and wage and price drift are causing the economy to overheat, making price reform much more difficult to implement.

Even with the across-the-board cuts of 10 percent in central and local government expenditures and with 20 percent cuts in the budgets of "nonprofit" government agencies, curbing inflation will depend to a large extent on the government's ability to control investment and the growth in wage incomes. The record is not encouraging: despite Zhao's insistence at midyear that wages could not be further increased, wages rose at an annual rate of nearly 40 percent in the fourth quarter of 1984 as enterprises reacted to the announcement of the forthcoming wage reform to be based on 1984 levels. Bank lending also grew substantially in 1984, leading Zhao to call for tightening monetary policy as a priority in 1985. Perception that the government is unable to control inflation in a society that is extremely sensitive to price increases could threaten the reform program by undermining public confidence in the leadership.

Finally, the post-Mao reform program has led to major retreats on the ideological front that must cause discomfort among many party members. So far, the Deng-Hu-Zhao administration has insisted that concessions are necessary to get the economy moving again, including accepting growing disparities in income and a more "diversified" ownership of the means of production. With resource allocation increasingly turned over to market forces, however, the conflict between market-generated outcomes and planners' preferences will inevitably become more difficult to resolve. Should the economy stumble, the government's ideological concessions may be considered too large. ■

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## POLITICAL REFORM

(Continued from page 255)

has been mixed. But before dwelling on the dilemmas of such reform, it should be remembered that Western liberal democracy has been centuries in the making. China has a deeply rooted authoritarian tradition, and the effort to instill democratic values and construct democratic institutions is a battle that will not be won overnight. The Chinese leadership under Deng Xiaoping has achieved much in the area of political change in a very short time, and the regime's effort to implement a program of reform that has touched nearly every aspect of life in China has shown imagination and courage.

Positive steps toward democratization have included the promulgation of a new Chinese constitution in 1982 that did much to reinvigorate the institutions of state government decimated in the Cultural Revolution and a new party constitution issued in the same year that not only introduced important democratic reform within the organization itself, but also reiterated the principle that party members are subject to the laws of the state. Elec-

<sup>18</sup>State Statistical Bureau, "Communique on Fulfillment of China's 1984 Economic and Social Development Plan," *Beijing Review*, no. 12 (March 25, 1985), p. VI.



tions for people's congresses (nonparty bodies with very limited, but not inconsequential legislative, fiscal, and supervisory functions) have been held on the local and county levels throughout China in the last few years; these elections, which have had relatively open nomination procedures, multiple candidates for a single office, and secret balloting, offer some hope that the people's congresses may evolve into the building blocks of more representative institutions. Major advances in legal reform have provided Chinese citizens with somewhat firmer guarantees of their civil rights, while the general trend towards cultural liberalization and the deemphasis on class struggle have helped to create a more relaxed and tolerant political environment.

On the other hand, many events in recent years offer less encouragement for further democratic reform. Initiatives for major steps towards democratization have consistently been suppressed or directed into more controlled channels. The spontaneous demands of the 1978–1979 “Democracy Wall Movement” for greater protection of human rights and more meaningful avenues of popular participation in government were initially encouraged by Deng and then forcefully defused when they had served the political purpose of helping Deng isolate leftist opponents within the leadership. In 1980, proposals from leading party reformers for important structural reforms that would have brought some measure of a separation of powers to the Chinese political system were transmuted into less threatening bureaucratic adjustments that may improve the efficiency of the government, but do little to enhance democracy.

Those steps that have been taken toward democratization have been the product of the party's patriarchal benevolence and remain subject to close party scrutiny. For example, the democratic implications of the local and county elections are called into question by the fact that the party maintains effective control of the committees that oversee the electoral process. The right of candidates to hold campaign rallies has been sharply curtailed and there have been widespread reports of interference in contests where the outcome is seen as inimical to party interests. On a more general level, the preamble to the 1982 Chinese constitution repeatedly invokes the sagacity and sanctity of “the leadership of the Chinese Communist party” and reflects an incontestable reality: the organs of state power and mass participation remain firmly under the guidance of the party.

There have been few significant developments in the area of democratic reform during the last two or three years. Abuses of the direct elections for the people's congresses have been criticized and a somewhat more representative range of candidates was elected in the round of elections that ended in December, 1984. The National People's Congress has been increasingly active and highly visible in monitoring economic policy and drafting

legislation. Corrupt public officials have been exposed and brought to account with great fanfare. And China's leaders showed admirable tolerance by allowing a demonstration in Beijing in April, 1985, to go on for more than a week before being peacefully resolved on the party's terms. (The demonstration involved 300 young people, who were demanding resettlement in the city after they had spent nearly 20 years working in the rural areas.)

But such tentative steps come nowhere near matching the continuing innovations on the economic front and offer no suggestion that democratization is about to get the same attention as bureaucratic readjustment, party rectification, or ideological reform. In fact, the party's preference is to encourage a depoliticization of society rather than to increase participation in politics. The message to the masses seems to be: concentrate on getting rich and forget about politics. Thus, political meetings are few and far between; propaganda signs are lost among the commercial billboards; and the ubiquitous walls of China, which for decades have been the site of layers of ideological slogans, are startlingly bare. Such a deescalation of political intensity must be a welcome change for most Chinese after the hyperpolitics of the Cultural Revolution. But there are signs that enforced depoliticization, combined with frustration about restrictions on opportunities for influencing public policy, may be breeding attitudes of apathy and cynicism—especially among the young—that are hardly conducive to the development of a democratic polity.

Why has democratic reform proceeded so much more slowly than other areas of change in recent years? The basic reason is that democratization presents a much more fundamental challenge to the party than any other type of reform. Economic liberalization, in particular, can serve to bolster the party's legitimacy as people attribute their new-found prosperity to the party's wise leadership. But reform of the political system in ways that enhance popular sovereignty is, by definition, threatening to those who now hold a monopoly on power.

The current leadership is well aware that a modicum of democratic reform is needed to provide a “lively political situation” as a stimulus to modernization. But its paramount concern is to maintain order and preserve the party's hegemony.

In essence, the party leadership has found it much easier to part with economic Stalinism than with political Leninism. Deng Xiaoping has referred to the process of economic reform that has replaced the system of highly centralized planning with a much more loosely structured economy partially responsive to market forces as China's “second revolution,” the first being the revolution that led to the founding of the People's Republic.<sup>18</sup> Given past precedent and recent events, it seems unlikely that this generation of leaders is willing to sponsor the “third revolution” that would be necessary to alter the basic nature of the one-party state and give birth to a truly democratic China. ■

<sup>18</sup>*Beijing Review*, vol. 27, no. 14 (1984), p. 6.

## THE UNITED STATES AND CHINA

*(Continued from page 244)*

Perhaps most important, Beijing is adept at playing the diplomatic game, having learned the art of alliance-alignment making and breaking through long years of schooling during the Chinese Communist party's pre-1949 struggle for power and during the quarter century of a diplomacy of movement and confrontation within the Sino-Soviet-American triangle. Beijing possesses a distinctive and successful negotiating style, a corps of trained foreign service officers, and a growing base of experience in its research institutes and scholars. All the domestic elements supporting a strategy of expanding influence, therefore, are either in place, abuilding, or on the drawing boards. The process will take time, but "good" results should eventuate.

It follows that, in any stocktaking of the American-Chinese relations of the mid-1980's, the cooperative gains to both sides have largely been made and the danger of conversion into a zero-sum game is increasing. But that is not likely to happen, at least in an extreme form, for a number of reasons, both internal and external. Internally, there is still room for the further expansion of various American-Chinese ties. Trade should rise to new heights as the Chinese economic expansion accelerates. American technology transfer to China is still in its initial stages, with military and nuclear technology transfers yet to begin. Educational contacts are burgeoning, as are scientific exchanges. Chinese leaders know that the Soviet military threat is unlikely to diminish in the absolute sense and may even increase; the American insurance policy is thus still necessary, however unfortunate that may be for Beijing's freedom of foreign policy maneuver. China needs the United States to introduce it further to the world of complex interdependence. And if Taiwan is ever to be taken, it will have to be with Washington's cooperation. Many of these same statements can be repeated on the American side—in terms of trade, defense, education and international cooperation. America needs China as much as Beijing needs Washington.

Externally, the outlines of a very interesting set of changes in the Asian and global balances of power are beginning to take shape. Essentially, the balance at both levels is shifting, and not merely in response to China's new drive for influence. In Asia, other states are also becoming conscious of the foreign policy uses of their new power. Wherever one looks in the region, one finds nations on the way up, modernizing as fast as they are able, and all subject to the same iron law of international relations. South Korea is an excellent example; with 40 million people, Seoul has gone from a US\$50 per capita national income in the 1950's to over \$2,000 by the mid-1980's, and has become a global economic power. Its international ambitions have soared.

There is also Japan, an economic superpower with the world's eighth largest military budget. And in Asia one

cannot forget the roles of the two superpowers, both of whom strive for global primacy in Asia as well as elsewhere and who also try to maintain and expand their respective influence in the region for its own sake. Extrapolating such trends, one can only conclude that, although China could well become an Asian giant, it will be hemmed in by a series of other strong states that may, in concert, counter China's propensities to expand its influence unduly. And if their collective power proves insufficient, they can always call on one or more of the superpowers, who will continue to seek opportunities to expand or maintain their own influence in Asia. In other words, the requisites for a stable balance of power in Asia are present, even when viewed from the comparatively early stage of the mid-1980's.

At the global level, much the same will prove to be true. First, a China taking part in the strategic triangle will still, in all probability, be a junior partner, given the growth potential left in the United States and the Soviet Union. Second, the triangle will itself be subject to pressure from outside, as first Japan and—to be sure, considerably later—India and perhaps Brazil or a united West Europe—change its shape to a quadrilateral. China's influence, great though it may be, will be comparatively restricted. Third, China will be subject to the same panoply of global influences that affect other nations. These include population explosion, pollution and other environmental problems, nuclear proliferation, a general diffusion of power, and the many revolutions attendant on modernization. These will tend to keep China, as all others, in a reactive state, so strong and so unknown will be their effects.

Finally, there will be the very interdependence of the rapidly modernizing globe. China will have to participate in such an interdependent community, for to attempt to insulate the country from the outside world would consign China perpetually to the role of the latecomer and the outsider.

A balance of power in Asia (and globally) will serve to hem in Beijing's expansionist tendencies. It is true that a new balance will have to be dynamic and will be composed of forces present only in outline form in the mid-1980's. It is also true that, with the best of intentions and a plenitude of the requisite means of power, those in charge of constructing a new balance could fail at their task. But all the elements are already in place. The role of the United States is to assist China's entry into the modern world economically and to encourage Beijing to play a responsible role in the new balance of power. A China and a United States in a national interest-centered partnership could become the central elements in a new structure of power that could benefit themselves and many other states and peoples. If, on the other hand, China chooses to threaten the balance of power, the United States will still be able to resume its historic role as the balancer in Asia, adding its own power to those who might feel Chinese pressure.

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# FOUR MONTHS IN REVIEW

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*A Current History chronology covering the most important events of April, May, June, and July, 1985, in four monthly sections, to provide a day-by-day summary of world affairs.*

## APRIL, 1985

### INTERNATIONAL

#### Arms Control

April 23—In Geneva, Soviet and American negotiators end the 1st round of talks on nuclear and space weapons.

#### Contadora Group

April 12—The Contadora nations—Mexico, Venezuela, Panama and Colombia—announce that the 5 Central American nations have agreed to establish a commission to monitor arms reductions in the region.

#### Iran-Iraq War

April 3—The Iraqi government announces that Iraqi planes bombed Teheran today; on April 1, 15 people were killed when Iraqi planes bombed Teheran.

April 4—The Iranian press agency reports that 36 Iranians were killed today in Iraqi rocket attacks on 2 Iranian cities.

April 13—Iran accuses Iraq of using chemical weapons on April 10 and 12.

#### Nonaligned Movement

April 21—The 101 nonaligned nations end a 3-day conference in New Delhi; they call on Western nations for economic sanctions against and the severing of diplomatic relations with South Africa.

#### Organization for Economic Cooperation and Development (OECD)

April 11—Two days of talks end; the 24 member-nations agree to begin preparations for new trade negotiations later this year.

#### United Nations (UN)

April 8—Secretary General Javier Pérez de Cuéllar arrives in Baghdad for talks on ending the Iran-Iraq War; yesterday he met with Iranian leaders in Teheran.

#### Warsaw Pact

April 26—The Soviet Union and the 7 nations of the pact formally extend the pact treaty for another 20 years.

### AFGHANISTAN

April 16—Diplomats in New Delhi tell reporters that Soviet troops began a major offensive in the Maiden Valley on April 9.

### ALBANIA

April 11—Enver Hoxha, the First Secretary of the Communist party, dies; Hoxha ruled Albania for 40 years.

April 13—President Ramiz Ali is elected to succeed Hoxha as First Secretary of the party.

### ALGERIA

(See U.S., Foreign Policy)

### ANGOLA

(See South Africa)

### ARGENTINA

April 22—Nine former military rulers go on trial in Buenos Aires; they are charged with the murder, kidnapping and torture of suspected subversives during the 1970's.

April 30—The government announces that it will pay \$50 million in overdue interest on its foreign debt; \$900 million is still due in back interest.

### BANGLADESH

April 10—General H. M. Ershad, the head of the military government, says that he will relax martial law after elections for rural councils in May.

### BRAZIL

April 21—President-elect Tancredo Neves dies; Vice President José Sarney automatically becomes President.

### CHINA

(See also Italy)

April 10—General Secretary Hu Yaobang says that China has received assurances from the U.S. that U.S. Navy ships will not be nuclear-armed when they make a port call in Shanghai later this year; the U.S. refused to give similar assurances to New Zealand earlier this year.

April 19—Hu says that China will cut the strength of its armed forces by 1 million men during 1985.

April 28—The party newspaper *People's Daily* reports that the Communist party has selected 1,000 middle-aged officials for "provincial and ministerial posts." The 1,000 will form the core of China's future leadership.

### EL SALVADOR

April 5—The army announces that it believes its forces have killed Joaquín Villalobos, the commander of the People's Revolutionary Army, one of the left-wing guerrilla groups fighting the government.

April 9—Residents of Santa Cruz Loma say that between 300 and 500 guerrillas attacked their village this week, killing 20 people.

April 21—Government and rebel forces agree to a cease-fire so 250,000 children throughout the country can be vaccinated against 5 major diseases.

### FRANCE

(See also Lebanon)

April 3—The government announces a new single-vote proportional representation system for parliamentary elections; the new system will replace the 2-stage, winner-take-all parliamentary election system.

April 4—Henri Nallet is named minister of agriculture after Michel Rocard resigns.

### GERMANY, WEST

(See also U.S., Foreign Policy, Legislation)



April 6—In Bonn, a Libyan gunman kills Gebril el-Denali, a Libyan seeking political asylum.

April 21—Chancellor Helmut Kohl tells an audience at the 40th anniversary of the liberation of the Bergen-Belsen concentration camp that he accepts Germany's "historical responsibility for the crimes of the Nazi tyranny."

### GREECE

April 3—The government announces that it is calling early general elections for June.

### GUATEMALA

April 12—General Oscar Mejía Victores, the head of the military government, suspends new economic austerity measures; he dismisses Finance Minister Leonardo Figueroa Villate.

April 23—Economics Minister Leonel Hernández Cardona is dismissed and Deputy Foreign Minister Ariel Rivera Irais is named to replace him.

### INDIA

April 8—The government files suit against the Union Carbide Corporation in U.S. district court in Manhattan, New York; the government seeks compensation for the December 3 poison gas leak from a Union Carbide subsidiary in Bhopal that killed over 2,000 people.

April 11—The government announces that it will comply with the demands of Sikh opposition groups for an investigation into the killing of over 2,000 Sikhs after the November, 1984, assassination of Prime Minister Indira Gandhi by Sikh bodyguards.

In New York, Union Carbide Corporation announces that it is closing its subsidiary in Bhopal.

April 13—In Amritsar, Punjab, about 5,000 Sikhs demonstrate for a separate state from India.

April 18—Union Carbide offers \$5 million in emergency aid to victims of the Bhopal poisoning.

### IRAN

(See *Intl, Iran-Iraq War*)

### IRAQ

(See *Intl, Iran-Iraq War*)

### ISRAEL

(See also *Lebanon; U.S., Foreign Policy*)

April 21—The Cabinet votes for the full withdrawal of Israeli troops from Lebanon by early June. Defense Minister Yitzhak Rabin says that Israel will keep a small military presence in Lebanon after the withdrawal.

### ITALY

April 6—Defense Minister Giovanni Spadolini says that Italy will sell arms to China and will provide military training in Italy for Chinese troops.

### JAPAN

(See also *U.S., Foreign Policy, Labor and Industry, Legislation*)

April 3—Foreign Minister Shintaro Abe criticizes U.S. congressional action calling for trade sanctions against Japan unless Japan opens its market to more American imports.

April 5—The government formally agrees to end all commercial whaling by March, 1988.

April 9—Prime Minister Yasuhiro Nakasone calls on every Japanese consumer to buy "\$100 in foreign goods" in order to solve Japan's trade crisis with the U.S.

The government approves a series of measures to lower Japan's trade barriers to imports.

### JORDAN

(See also *U.S., Foreign Policy*)

April 4—Prime Minister Ahmed Abdel Obeidat resigns; King Hussein names former Prime Minister Zaid Rifai to replace him and form a new government.

### KAMPUCHEA

(See also *U.S., Foreign Policy*)

April 7—Vietnamese troops recapture Prey Chan; the camp had been held by the Khmer People's National Liberation Front, 1 of the 3 guerrilla forces fighting the Vietnamese.

### KOREA, SOUTH

(See also *U.S., Foreign Policy*)

April 4—The government announces that it will hold talks this month with North Korea on economic issues.

### LEBANON

(See also *Israel; U.S., Foreign Policy*)

April 2—More than 1,000 prisoners are moved by the Israeli army from southern Lebanon to Israel; 600 other prisoners are to be released tomorrow in a "good-will gesture."

French envoy Gilles Sidney Peyrolles is released by a group of Shiite Muslims after his kidnapping 10 days ago; 3 other foreigners who had been kidnapped have also been released this week.

April 4—Israeli soldiers kill 8 people they say were terrorists in a raid on the Shiite town of Kawhariyat as Siyad.

April 5—Beirut newspapers report that Syria has told President Amin Gemayel to stop the fighting in Sidon or Syria will intervene militarily to end it; at least 55 people have been killed in the last 3 weeks of fighting in the city.

April 10—Prime Minister Rashid Karami and another Cabinet member, Selim al-Hoss, announce that they are boycotting Cabinet meetings until fighting in Sidon ends.

April 15—Lebanese army troops move into Sidon to stop the fighting between Christian and Muslim militiamen.

April 17—President Gemayel's Cabinet resigns; Prime Minister Karami says that Lebanon's situation is "colossally grave."

April 18—Karami goes to Damascus to hold talks with Syrian President Hafez Assad.

April 26—Palestinian and Muslim militiamen loot and burn Christian villages south of Sidon; 60,000 Christians have fled the area in the last week.

April 29—Israeli forces complete the 2nd stage of their withdrawal from southern Lebanon by moving from the port city of Tyre to a strip about 9 miles from the Israeli border.

### LIBYA

(See also *Germany, West; U.S., Foreign Policy*)

April 10—Head of State Colonel Muammar Qaddafi says that the U.S. should stay out of the Sudan or U.S. President Ronald Reagan's "nose will be cut."

### MEXICO

April 4—The Mexican Attorney General's office reports that a man suspected of killing a U.S. Drug Enforcement Agency (DEA) official in Mexico in February has been captured by the Costa Rican police; the suspect, Rafael Caro Quintero, will be extradited to Mexico.

April 10—The Attorney General's office announces that Ernesto Fonseca Carillo, Mexico's largest drug trafficker, was arrested on April 8; Carillo is also implicated in the killing of the U.S. DEA agent.

## NICARAGUA

(See also *U.S., Foreign Policy, Legislation*)

- April 4—In New York, the Lawyers Committee for International Human Rights criticizes the Nicaraguan security police for using death threats and other coercive actions against dissidents.
- April 5—The government rejects President Reagan's proposal for a cease-fire between the government and the right-wing guerrillas (contras).
- April 22—A Miskito Indian guerrilla group, the Misurasata, agrees "to avoid offensive armed action" against the government.
- April 24—President Daniel Ortega Saavedra says that 100 Cuban military advisers will leave on May 2.
- April 29—Ortega arrives in Moscow and meets with General Secretary Mikhail Gorbachev; Gorbachev promises continued economic aid.

## NIGERIA

- April 27—Almost 700,000 illegal immigrants are ordered to leave the country by May 10.

## PAKISTAN

- April 10—General Mohammad Zia ul-Haq, the head of the military government, swears in a civilian Cabinet; he says that within the next few months he will resign as head of the military to rule as a civilian President.

## PERU

- April 13—Results announced today show that Alan García Pérez won the largest number of votes in yesterday's presidential election; Pérez, a Social Democrat, will face Alfonso Barrantes Lingán, the Marxist Mayor of Lima, in a runoff election.

## POLAND

(See *U.S., Foreign Policy*)

## SOUTH AFRICA

(See also *U.S., Foreign Policy*)

- April 4—Police kill a black man after a group of blacks stone police and firefighters near the city of Port Elizabeth.
- April 7—President P. W. Botha tells the annual meeting of the Zion Christian Church, a black religious group with 5 million members, that the "forces of darkness must be kept out of our country."
- April 13—More than 60,000 blacks attend a funeral service for 27 blacks killed in recent clashes with government forces.
- April 15—The government announces that it will abolish laws forbidding marriage and sex between people of different races.
- Foreign Minister Roelof F. Botha says that South African troops will withdraw from Angola at the end of this week.
- April 23—Police arrest the general secretary and the publicity secretary of the United Democratic Front, an opposition group demanding an end to apartheid.
- April 27—Officials at the Vaal Reefs gold mine dismiss 14,400 black workers for taking part in illegal strikes for higher wages.

## SPAIN

- April 13—The Basque separatist guerrilla group ETA claims responsibility for the explosion in a Madrid restaurant last night that killed 24 people and wounded 82. Two of the dead and 12 of the wounded are Americans.
- April 20—The Spanish Communist party expels Santiago Carrillo from the Central Committee; Carrillo led the party until 1982.

## SRI LANKA

- April 3—Separatist guerrillas set off land mines under 2 jeeps, killing 9 policemen and wounding 10.

## SUDAN

(See also *Libya; U.S., Foreign Policy*)

- April 3—Police in Khartoum break up a protest demonstration by doctors, lawyers and other professionals. Strikes and demonstrations began on March 28 to protest austerity measures instituted by President Gafaar Nimeiry.
- April 6—General Abdel Rahman Siwar el-Dahab, the commander in chief of the armed forces, overthrows Nimeiry's government while Nimeiry is out of the country; el-Dahab says civilian rule will be allowed in 6 months.
- April 9—John Garang, the leader of the Sudanese People's Liberation Army, says he has ordered a weeklong truce in the southern Sudan; he says he will resume fighting the government if civilian rule is not allowed in 7 days.
- April 21—Dr. al-Gazouly Dafallah is named Prime Minister; Dafallah was one of the leaders of the strikes preceding Nimeiry's overthrow.

## SYRIA

(See *Lebanon*)

## TAIWAN

- April 9—Two gangsters are found guilty of killing Henry Liu, a Chinese-American journalist living in California who wrote a critical biography of President Chiang Ching-kuo; they are sentenced to life in prison.
- April 19—Vice Admiral Wong Hsi-ling, the former head of the military-intelligence bureau, is found guilty by a military court of masterminding the murder of Liu and is sentenced to life in prison.

## TURKEY

(See *U.S., Foreign Policy*)

## U.S.S.R.

- (See also *Intl, Arms Control, Warsaw Pact; Afghanistan; Nicaragua; U.S., Foreign Policy*)
- April 7—General Secretary Mikhail Gorbachev announces a freeze on the deployment of intermediate-range nuclear missiles in Europe. He also says that he is ready to hold a summit meeting with President Reagan.
- April 10—A U.S. congressional delegation led by Thomas P. O'Neill Jr. (D., Mass.), the Speaker of the House of Representatives, meets with Gorbachev in Moscow.
- April 22—The government says that its forces reserve the right to use force against intruders at East German military installations; on April 16 the government assured the U.S. that it would not use deadly force against U.S. military personnel after a U.S. Army major was killed by a Soviet soldier in East Germany.
- April 23—The Communist party's Central Committee names 3 men to full membership in the Politburo.

## UNITED KINGDOM

### Northern Ireland

- April 3—Two people are killed in Newry when Irish Republican Army guerrillas detonate a car bomb.

## UNITED STATES

### Administration

- April 2—Attorney General Edwin Meese 3d announces that the Justice Department will work with other federal agencies to curb bank fraud; Meese says that at least 61 percent of the

record number of bank failures last year involved "actual or probable criminal misconduct by bank insiders."

President Ronald Reagan nominates Clayton K. Yeuter as the new U.S. trade representative.

April 4—President Reagan approves a budget plan drawn up by Senate Republicans; the budget would reduce spending by \$52 billion in the next fiscal year, which would cut the projected budget deficit from \$227 billion to \$175 billion.

April 5—The Environmental Protection Agency (EPA) announces that it is fining Chemical Waste Management Inc. \$2.5 million for violating toxic waste laws; the company must also spend about \$20 million to clean up 120 million gallons of waste at 2 sites in Ohio.

April 9—President Reagan appoints Linda Chavez head of the White House Office of Public Liaison; Chavez was the staff director of the U.S. Commission on Civil Rights.

April 10—Labor Department officials tell reporters that the department has decided not to issue a rule that farmers provide field workers with toilet and water facilities.

The Congressional Budget Office reports that at least 600,000 more people would fall below the poverty line if President Reagan's proposal to limit Social Security cost-of-living raises to 2 percent were passed by Congress.

April 11—President Reagan announces 2 new Cabinet councils on economic and social policy to replace 7 current Cabinet councils dealing with the same areas. Treasury Secretary James Baker will oversee the economic council and Attorney General Meese will oversee the social policy council.

April 15—Assistant Director of the Federal Bureau of Investigation (FBI) William Baker announces that indictments have been brought against 23 members of a right-wing, white supremacist group called the Order; 16 members of the organization are in custody.

The Department of Health and Human Services issues the final draft of a regulation requiring doctors and hospitals to provide treatment to severely handicapped infants unless death is inevitable.

The Interstate Commerce Commission (ICC) begins a 4-day workweek that will cause workers to lose a day's pay a week; the ICC is short on funds because Congress refused to provide the necessary funding for the agency.

April 16—The Census Bureau reports that 47 percent of all households in the U.S. receive benefits from government programs like Social Security, Medicare and food stamps.

April 17—William Webster, the director of the FBI, tells a House subcommittee that at the administration's request, the FBI has interviewed 100 U.S. citizens who have recently returned from Nicaragua.

April 18—Secretary of State George Shultz announces that John Whitehead has been nominated to replace Kenneth Dam as deputy secretary of state; Dam is resigning to become vice president of IBM.

The EPA files suits against 7 cities for allowing the dumping of untreated industrial waste into public sewers.

Eileen M. Gardner, the director of the Department of Education's office of Education, Philosophy and Practice, resigns after it is found that she had called federal aid for the handicapped "selfish" and "misguided."

April 20—The Defense Department announces that President Reagan will nominate Lieutenant General William Odom to be director of the National Security Agency; he will replace Lieutenant General Lincoln Faurer.

April 23—In a televised address, President Reagan calls for the adoption of the April 4 budget proposal worked out with Senate Republicans; he says he will veto any tax increase passed by Congress.

April 29—The Justice Department files a motion in U.S. district court in Indianapolis requiring Indianapolis's police

and fire departments to modify their affirmative action programs by ending the use of numerical quotas for the employment of blacks, Hispanics and women.

The Department of Health and Human Services proposes new rules for Social Security disability examiners; the rules, which will be published tomorrow in the *Federal Register*, require the government to show "substantial evidence" that a person should be removed from disability status.

April 30—Assistant Secretary of State for Inter-American Affairs Langhorne Motley resigns; Assistant Secretary of State for Human Rights and Humanitarian Aid Elliott Abrams is named to replace him.

Solicitor General Rex Lee announces his resignation, effective June 1.

### Civil Rights

April 11—The U.S. Commission on Civil Rights votes 5 to 2 to reject the doctrine of comparable worth, which holds that men and women performing comparable jobs should be paid the same wage.

### Economy

April 5—The Labor Department reports that the unemployment rate was 7.2 percent in March.

April 12—The Labor Department reports that producer prices for finished goods rose by 0.2 percent in March.

April 18—The Commerce Department announces that the gross national product (GNP) increased at an annual rate of 1.3 percent during the 1st 3 months of 1985.

April 23—The Labor Department reports that the Consumer Price Index rose 0.5 percent in March, the largest increase in a year.

April 30—The Commerce Department reports that the U.S. trade deficit was \$11 billion in March; the 1st quarter trade deficit totals \$32.8 billion.

The Commerce Department reports that the index of leading economic indicators fell 0.2 percent last month.

### Foreign Policy

(See also *Intl, Arms Control; China; Japan; Libya; Mexico; Nicaragua; U.S.S.R.; Vietnam*)

April 1—Government officials say that Secretary of State Shultz has warned Iran that the U.S. will act against Iran if Americans being held hostage in Lebanon by Shiite Muslims are executed.

White House spokesman Larry Speakes says that Japan has made new commitments on trade issues; the unspecified commitments were made to 2 special U.S. envoys who returned from Japan this morning.

After a meeting between President Reagan and Sudanese President Gafaar Nimeiry, \$67 million in economic support assistance is released to the Sudan; the aid had been withheld until Sudan adopted economic austerity measures.

April 2—President Reagan meets with Turkey's Prime Minister Turgut Ozal; the President assures Ozal that he will use his influence to block congressional attempts to reduce military aid to Turkey.

State Department spokesman Bernard Kalb warns Libyan leader Colonel Muammar Qaddafi that the U.S. will hold Libya responsible for any terrorism committed against the U.S.; on March 30 Qaddafi praised the suicide attacks on American installations in the Middle East.

April 3—The State Department says that Israel violated the 1949 Fourth Geneva Convention on the treatment of prisoners when it transferred 1,100 Lebanese prisoners to Israel yesterday.

Secretary of Commerce Malcolm Baldrige announces that the Soviet Union's quota on fish caught in U.S. waters is being halved because of the Soviet Union's violation of an international whaling agreement.



April 4—President Reagan proposes a peace plan for Central America that calls for a cease-fire and negotiations between the right-wing guerrillas (contras) fighting to overthrow the Nicaraguan government and the Nicaraguan government; he asks Congress to approve \$14 million in aid for the contras that would be used only for "humanitarian" purposes during the cease-fire.

April 7—The State Department reports that the new Sudanese leader, General Abdel Rahman Siwar el-Dahab, has assured the U.S. that he will pursue a pro-Western policy.

White House spokesman Speakes says that today's proposal by Soviet General Secretary Mikhail Gorbachev to freeze the deployment of Soviet intermediate-range nuclear missiles in Europe would "revive prior Soviet efforts designed to freeze in place a considerable Soviet advantage."

April 9—The Reagan administration says it may provide military assistance to the 2 non-Communist guerrilla groups fighting the Vietnamese in Kampuchea "if it would be the difference in enabling the resistance to sustain itself."

April 10—National Security Adviser Robert McFarlane says that President Reagan would "welcome" a lower-level meeting with Gorbachev; a summit meeting must wait until "the proper time."

April 11—White House spokesman Speakes announces that President Reagan will visit a cemetery holding the graves of Nazi soldiers in Bitburg, West Germany, on May 5.

Secretary of Defense Caspar Weinberger says the Soviet Union's antiballistic missile research "suggests" that the Soviet Union may be preparing to abrogate the Antiballistic Missile Treaty.

April 13—Secretary Shultz meets with Japanese Foreign Minister Shintaro Abe in Washington, D.C., to discuss U.S.-Japan trade relations.

April 15—President Reagan calls on Congress to approve \$14 million in aid to Nicaragua's contras; he says supporting the contras is "one of the greatest moral challenges in postwar history."

April 16—President Reagan announces that he will visit a Nazi concentration camp during the Western economic summit next month in Bonn; on March 21 he rejected a proposal to visit a concentration camp.

*The New York Times* reports that the administration has privately told Congress that it wants to increase the number of contras fighting the Nicaraguan government by 15,000.

Secretary Shultz tells Congress that the U.S. should not impose economic sanctions on South Africa because they would reduce U.S. influence on South Africa and hurt South African blacks; he calls for continued adherence to the administration's policy of constructive engagement.

The U.S. agrees to allow Polish commercial flights to begin to land in the U.S. in 2 weeks; landing rights were suspended in 1981 after the Polish government imposed martial law.

April 17—President Reagan meets with Algerian President Chadli Benjedid in Washington, D.C., to discuss Palestinian involvement in Middle East peace talks.

April 18—President Reagan says that the German soldiers buried at Bitburg "were victims, just as surely as the victims in the concentration camps." 49 of the soldiers buried at Bitburg were members of the Waffen SS, the military arm responsible for carrying out the extermination of the Jews.

April 20—President Reagan says that "Russian military personnel" are in Nicaragua.

April 21—The State Department announces that the U.S. has rejected a Nicaraguan offer for a cease-fire between the Sandinistas and the contras if the U.S. halts aid to the contras.

April 22—Administration officials report that the Soviet Union

is continuing work on 7 new sites for SS-20 intermediate-range missiles.

The U.S. signs a free-trade agreement with Israel that will eliminate all tariffs between the 2 countries in 10 years; the U.S. Congress has to approve the agreement.

April 25—Secretary Shultz says that aid is essential to the contras in order to prevent the "horror" that he says has occurred in Indochina since North Vietnam's takeover of the region.

April 26—The State Department announces that Assistant Secretary of State for Near Eastern and South Asian Affairs Richard Murphy was unable to get Israel and Jordan to agree to direct talks on peace in the Middle East during his recent 2-week trip in the region.

A Soviet military attaché is ordered out of the U.S. to protest the "unacceptable Soviet position" on the March killing of a U.S. Army major in East Germany by Soviet forces.

President Reagan meets with South Korean President Chun Doo Hwan in Washington, D.C.; Chun reportedly tells the President that he plans to allow civilian rule in 1988.

April 30—Administration officials announce that the U.S. will grant Israel \$1.5 billion more in economic aid; the additional aid will be divided between the 1985 and 1986 fiscal years. Egypt will also receive additional economic aid of \$500 million.

### Labor and Industry

April 2—A. H. Robins Company, the maker of the Dalkon Shield birth control device, announces that it has set aside \$615 million to settle legal claims made by women who used the device; the women claim the device caused infections, sterility and spontaneous abortions.

April 4—The Columbia Gas System agrees to cut its natural gas prices to consumers by \$1 billion in order to settle private lawsuits claiming the gas company has paid gas producers too much for gas since 1981.

April 15—Chrysler Corporation and Japan's Mitsubishi Motors Corporation announce that they will jointly build a subcompact car in the U.S.; production will start in 1988.

### Legislation

(See also *Politics*)

April 2—The House of Representatives votes 412 to 1 to repeal a new law requiring detailed records from those who use a business car for personal use or a personal car for business.

The House votes 394 to 14 to pass a nonbinding resolution that asks President Reagan to adopt a plan attacking Japan's trade barriers.

April 3—The Senate votes 94 to 0 to approve a bill that eliminates supplemental unemployment benefits for those who have already exhausted their state unemployment benefits; the House approved the bill by voice vote April 2.

April 23—The Senate votes 53 to 46 to approve President Reagan's request for \$14 million in aid to the Nicaraguan contras. The House votes 248 to 180 to defeat the measure.

April 25—257 House members sign a letter requesting West German Chancellor Helmut Kohl to cancel his invitation to President Reagan to visit the Bitburg war cemetery.

Congress lets the deadline pass for approving several budget cuts proposed by President Reagan for the current fiscal year; the inaction allows the release of \$1.5 billion.

April 26—On a voice vote, 82 senators support a resolution urging President Reagan to cancel the Bitburg visit.

April 30—The Senate approves the budget proposal worked out by President Reagan and Senate Republicans by a vote of 50 to 49; the proposal would cut the deficit by \$52 billion in 1986 and by \$300 billion over three years. Several amend-

ments to the budget have not yet been voted on.

By a vote of 229 to 220, the House refuses to hold a special election to decide who should hold the seat in Indiana's 8th district.

### Military

April 10—Secretary of Defense Weinberger announces that "progress payments" for military contracts will be scaled back; he says this will motivate contractors to keep costs down and speed delivery of equipment "in order to receive final payment."

April 18—The Air Force announces that it will allow the General Electric Company (GE) to bid on government contracts; GE was suspended from bidding last month.

April 22—Assistant Secretary of Defense for Manpower Lawrence J. Korb says that a military draft will not be needed in the next few years even though the pool of volunteer recruits will decrease.

### Politics

(See also *Legislation*)

April 19—A 3-member congressional panel declares Frank McCloskey, a Democrat, the winner of a contested Indiana congressional race.

### Press Responsibility

April 9—The U.S. Court of Appeals for the District of Columbia reinstates a 1982 jury verdict that *The Washington Post* libeled William P. Tavoulares, the president of Mobil Oil Corporation, in a 1979 article.

### Science and Space

April 19—The Space shuttle *Discovery* lands at Cape Canaveral after a 7-day mission.

## May, 1985

### INTERNATIONAL

#### Arms Control

May 30—In Geneva, Soviet and American negotiators begin the 2nd round of talks on strategic, intermediate and space weapons.

#### Conference on Security and Cooperation in Europe (Helsinki Accords)

May 8—The 35-nation conference on human rights begins in Ottawa.

#### General Agreement on Tariffs and Trade (GATT)

May 29—The U.S. blocks a Nicaraguan attempt to persuade GATT to condemn the U.S. trade embargo against Nicaragua.

#### Iran-Iraq War

May 28—Iran and Iraq continue to attack each other's cities with bombs and missiles in an escalation of the war.

May 30—Iraq says that its planes bombed the main Iranian oil installation at Basra; Iraqi planes also attack the Iranian cities of Isfahan and Hamadan.

#### Middle East

(See also *Israel; U.S., Foreign Policy*)

May 8—Palestine Liberation Organization (PLO) spokesman Ahmed Abdel Rahman rejects a U.S. proposal for a meeting between U.S. officials and non-PLO members of the Palestine National Council, the PLO's nominal Parliament.

May 13—PLO Chairman Yasir Arafat says that the PLO will

### Supreme Court

April 16—The Court rules unanimously that the Central Intelligence Agency (CIA) can withhold the identity of "intelligence sources" from the public.

In an 8-0 decision, the Court rejects an Alabama constitutional provision that took away a person's right to vote if convicted of "moral turpitude"; the Court finds that the law was racially discriminatory because its drafters intended to use the provision primarily against blacks.

April 17—Voting 8 to 0, the Court rules that in a civil rights action, a successful plaintiff cannot recover lawyer's fees for the time spent by the lawyer in administrative proceedings before the actual lawsuit begins.

In a 7-1 decision, the Court rules that a state's statute of limitations for suits brought under the Civil Rights Act of 1871 must be the same statute of limitations the state uses for personal injuries suits.

April 23—The Court rules unanimously that religious organizations must pay their workers the minimum wage when the workers engage in commercial activities for the religious organization.

April 29—Ruling 5 to 4, the Court upholds a lower court ruling that jurors may not be instructed that a criminal defendant intended the "natural and probable consequences of his acts." In *Sandstrom v. Montana* the Court had found this "presumption of intent" instruction unconstitutional.

### VIETNAM

(See also *Kampuchea; U.S., Foreign Policy*)

April 4—Bill Mathers, an American yachtsman, is released from custody after spending 8 months in solitary confinement; the Vietnamese charged him with espionage and violating territorial waters. ■

negotiate with Israel over land claimed by the PLO but will not renounce armed resistance against Israel.

May 17—Three days of talks between Egyptian and Israeli officials end in Cairo; both sides agree on measures designed to improve Israeli-Egyptian relations.

#### North Atlantic Treaty Organization (NATO)

(See also *Greece*)

May 16—The Greek Foreign Ministry says that last week Greece refused to allow a British ship taking part in NATO military maneuvers to dock at Suda Bay on Crete.

May 18—NATO's Military Committee and its Committee on Science and Technology meet in Stuttgart; Danish, French and Norwegian delegates criticize the U.S. Strategic Defense Initiative (SDI or Star Wars) because it might start a new arms race and might separate Europe's security from that of the U.S.

#### Organization of American States (OAS)

May 30—The OAS adopts a resolution opposing the continued British military presence on the Falkland Islands.

#### Seven-Nation Economic Conference

(See also *U.S., Foreign Policy*)

May 4—In Bonn, West Germany, the 7 major industrial nations end their annual conference; they agree to discuss free trade but fail to set a date for the negotiations because of French objections.

#### United Nations (UN)

May 6—The UN Food and Agricultural Organization (FAO)

says that food supplies pledged for African areas are needed immediately to "avert a major disaster."

May 10—The U.S. vetoes parts of a Security Council resolution calling for an end to the U.S. trade embargo on Nicaragua, but it supports a resolution praising the peace efforts of the Contadora Group.

### ANGOLA

(See also *South Africa*)

May 28—In Luanda, a captured South African soldier says he was sent to northern Angola to blow up an oil storage depot; he was part of a group from the South African special forces that was trying to disrupt the Angolan economy.

### ARGENTINA

May 18—The government announces that it has frozen all dollar accounts (affecting between \$700 million and \$1 billion) in Argentine banks for 120 days to avoid a rash of bank failures.

May 23—The Perónist General Labor Confederation holds a nationwide strike to protest the government's economic program. The strike fails to win wide commercial support.

### BANGLADESH

May 20—In fighting between rival political groups, about 200 people are wounded and at least 4 are killed during the 2nd phase of rural elections. Because of the violence, voting is postponed in at least 85 districts.

May 26—Officials in Dacca report that the final death toll in the cyclone that hit southeastern Bangladesh on May 25 may reach 10,000.

### BOLIVIA

May 21—The government announces a 75 percent increase in the price of bread, following a 50 percent increase in the price of fuel and a 40 percent devaluation of the peso. Last week the government ordered a 6-fold rise in wages because the inflation rate for the first 4 months of 1985 reached 566.5 percent.

### BRAZIL

May 8—Approving a constitutional amendment, Congress reinstates the system of direct presidential elections, a system abolished during the 1964 military coup.

### BURKINA FASO

May 10—In a brief communiqué, the government tells journalists working for foreign news organizations that they cannot send news reports out of the country.

### CHILE

May 25—80 percent of Chile suffers a blackout when terrorists cause an explosion in Santiago's main power station.

### CHINA

(See also *U.S., Foreign Policy*)

May 1—The 1st prolonged protest demonstration in several years ends in Beijing; the demonstrators are sent to Shanxi Province and are not allowed to return to their homes in Beijing.

May 20—In Beijing, the Communist party's municipal council meets in emergency session to discuss the May 19 soccer riot; the worst outbreak of violence in the city since 1976 involved about 5,000 youths and became an anti-foreigner demonstration.

May 23—The governments of China and Portugal announce that they will schedule negotiations "soon" on the return of Macao to Chinese rule; no date is set.

### CUBA

(See *Nicaragua; U.S., Foreign Policy*)

### CYPRUS

May 5—In a referendum, Turkish Cypriots overwhelmingly approve a new constitution for the self-proclaimed Turkish Republic of Northern Cyprus.

### EGYPT

(See also *Intl, Middle East*)

May 4—The Parliament votes against the immediate imposition of Islamic law and votes to review the legal code "gradually and scientifically" to weed out provisions that conflict with Islamic law.

May 23—The Interior Ministry says it has "thwarted a plot" against an unidentified embassy in Cairo.

### EL SALVADOR

(See also *U.S., Foreign Policy*)

May 9—A Western official in San Salvador reports that the U.S. has sent 3 more C-47 airplanes to the Salvadoran Air Force, making a total of 7.

May 11—A Salvadoran Army spokesman says that the rebels have murdered 2 mayors, kidnapped 8 others and set fire to 32 mayoral offices in eastern El Salvador in recent weeks.

May 13—The rebels claim that they have kidnapped 3 more newly elected mayors and have burned 2 additional municipal offices.

May 15—President José Napoleón Duarte begins a weeklong visit to the U.S.

### ETHIOPIA

May 1—International relief officials in Addis Ababa report that the government has forced 56,000 starving Ethiopians out of an emergency feeding center at Ibnet in the last week.

May 6—Ethiopian leader Mengistu Haile Mariam says he did not authorize the evacuation of famine victims from Ibnet.

May 9—Approximately 35,000 famine victims return to Ibnet. The camp reopened May 7.

May 27—The deputy commissioner of the Relief and Rehabilitation Commission admits that port congestion is slowing the distribution of food and leading to spoilage but says that delaying food shipments would worsen the plight of Ethiopia's famine victims.

### FRANCE

#### Corsica

May 25—In the 4th series of terrorist attacks in southern Corsica this month, 8 bombs explode.

#### New Caledonia

May 8—After 10 hours of rioting, riot police separate pro- and anti-independence groups in Nouméa, the territory's capital.

May 27—Kanak separatists cancel a demonstration in Nouméa; the Kanak Socialist National Liberation Front agrees to take part in French-run elections in August.

### GERMANY, WEST

(See also *Intl, 7-Nation Summit; U.S., Foreign Policy*)

May 12—In legislative elections in North Rhine-Westphalia, Chancellor Helmut Kohl's conservative Christian Democratic party is defeated; the Social Democrats win 52.1 percent of the popular vote.

May 28—Kohl meets with French President François Mitterrand in Bonn.

### GHANA

(See also *Nigeria*)

May 17—The government formally protests what it terms



Nigeria's "brutal" treatment of illegal Ghanaian immigrants who have been expelled from Nigeria.

## GREECE

(See also *Intl, NATO*)

- May 7—Parliament votes 182 to 113 to approve amendments to the constitution that take away from the President the power to declare war and dismiss the Prime Minister.
- May 27—Prime Minister Andreas Papandreou declares that if his Socialist party wins a clear majority in the June 2 parliamentary election, Greece's relations with the U.S. and the North Atlantic Treaty Organization (NATO) will enter "calmer seas."

## INDIA

(See also *U.S., Foreign Policy*)

- May 10—Officials report that Sikh extremists have killed 45 people and wounded 150 in bombing and other attacks in New Delhi and 3 northern states; the Indian army is patrolling the capital.
- May 11—It is reported in New Delhi that more than 1,500 people have been arrested in the wake of Sikh extremist rioting.
- May 12—Police reveal that 3 Sikhs have been arrested in connection with the New Delhi bombings.
- May 13—The Bharatiya party calls a strike in New Delhi to protest the government's failure to prevent the violence of May 10-11.
- May 22—In Gujarat state, Indian police open fire on a crowd in Jamnagar to quell rioting and arson.  
Prime Minister Rajiv Gandhi ends a 2-day visit to Moscow; 2 trade treaties have been signed to "strengthen [Soviet-Indian] relations."

## IRAN

(See also *Intl, Iran-Iraq War*)

- May 12—In Teheran, the government radio reports that a car bomb exploded during the rush hour, killing 12 people and wounding at least 50.
- May 19—Parliament approves a bill giving peasants and squatters rights to the land they seized after the 1979 Islamic revolution.
- May 23—A Reuters newsman is expelled for allegedly filing biased and sometimes false news stories.

## IRAQ

(See *Intl, Iran-Iraq War*)

## ISRAEL

(See also *Intl, Middle East; U.S., Foreign Policy*)

- May 6—Israeli leaders express dismay and bitterness about U.S. President Ronald Reagan's visit to the West German cemetery at Bitburg, where Waffen SS soldiers are buried.
- May 13—With more than 90 percent of the vote counted in trade union elections, the Labor party alignment wins 67.3 percent of the vote.
- May 19—After a 12-hour meeting, the Cabinet approves 20 measures, including various tax increases, to halt the deterioration of the economy.
- May 20—In Geneva, Israel releases 1,150 Palestinians and other guerrillas in exchange for the release of the last 3 Israeli prisoners of war held by the Palestinians.
- May 21—Supporters of the 27 convicted and suspected Israeli terrorists imprisoned in Israel demonstrate to demand their release because of yesterday's Palestinian guerrilla exchange.
- May 30—Prime Minister Shimon Peres says that Israel remains opposed to an international conference on the Middle

East; King Hussein of Jordan has called for such a meeting.

## ITALY

- May 14—With 90 percent of the votes counted after 2 days of regional elections, Prime Minister Bettino Craxi's coalition gains support. The Communists win 30.8 percent of the vote; the Christian Democrats win about 35 percent; the 5 center-left parties together win 57.5 percent.
- May 27—In Rome, 5 Turks and 3 Bulgarians go on trial for allegedly plotting the assassination attempt against Pope John Paul II in 1981. The state's chief witness is Mehmet Ali Agca, already imprisoned for shooting and wounding the Pope.

## KAMPUCHEA

(See also *Thailand; U.S., Foreign Policy*)

- May 23—The official Kampuchean press agency says that the government has offered to open negotiations with Thailand on the Kampuchean refugee situation in Thailand. The Thai National Security Council said "last week" that it planned to send 230,000-240,000 displaced "illegal" refugees in Thailand back to Kampuchea.

## KOREA, NORTH

(See *Korea, South*)

## KOREA, SOUTH

- May 2—President Chun Doo Hwan promises opposition leaders that he will relinquish his office when his 7-year term expires in 1988.
- May 23—In Seoul, 60 students take over a U.S. government office and demand an apology from the U.S. for what they term American complicity in the suppression of a 1980 uprising in which about 200 demonstrators were killed.
- May 28—In Seoul, police report that 25 of the 73 students occupying the U.S. Information Service building have been arrested.  
In Seoul, North and South Koreans begin Red Cross-sponsored talks in an effort to reunite millions of families divided by the Korean War (1950-1953).
- May 30—Unofficial sources in Seoul report that more than 60 student protesters were detained after they demonstrated to support students who occupied the U.S. government building last week.  
North and South Korean officials end their talks and report that they will meet again on August 27 in Pyongyang.

## KUWAIT

- May 25—An attempt against the life of the Emir, Sheik Jaber al-Ahmed al-Sabah, fails; the Emir suffers cuts and bruises when the suicide driver of a car carrying bombs crashes into the Kuwaiti leader's motorcade.

## LEBANON

(See also *U.S., Foreign Policy*)

- May 6—In Beirut, full-scale war for control of the city flares as President Amin Gemayel meets with his army chiefs.
- May 12—U.S. congressional sources say that a Beirut suburb car bombing that killed 80 people on March 20 was launched by terrorists who had been working with the U.S. Central Intelligence Agency (CIA).
- May 13—The CIA denies any link with the terrorists involved in the March 20 car bombing.
- May 18—In Beirut, the Lebanese Forces, the main Christian militia force, says it is closing its Jerusalem office to end 10 years of cooperation with Israel.
- May 20—In Beirut, heavy fighting between rival Muslim groups continues.

May 22—At least 50 people are killed and 172 are wounded when a car bomb explodes in Christian East Beirut.

Fighting between Palestinians and Shiite Muslim militiamen continues for a 4th day in the 3 Palestinian refugee camps, Sabra, Shatila and Burj al Brajneh.

May 23—After a 5th day of fighting in and around the refugee camps, police say that at least 200 people have been killed and 1,165 have been wounded.

May 27—After a 30-minute lull in the fighting, Red Cross workers halt their efforts to rescue the wounded from the refugee camps.

May 28—American David Jacobsen, head of the American University of Beirut Medical Center, is kidnapped by 6 assailants.

May 29—The presidential palace in Beirut is attacked by rockets and artillery shells; Gemayel escapes injury.

May 30—In Syria, President Gemayel talks with Syrian President Hafez Assad in an effort to persuade Syria to help end the fighting.

May 31—Shiite militia officials say they have overrun Shatila and Sabra after heavy fighting.

President Gemayel returns to Beirut; no communiqué has been issued since his discussions in Damascus.

#### **NETHERLANDS**

(See *Vatican*)

#### **NEW ZEALAND**

(See *U.S., Foreign Policy*)

#### **NICARAGUA**

(See also *Intl, GATT, UN; U.S.S.R.; U.S., Foreign Policy*)

May 1—Vice President Sergio Ramírez Mercado says that the U.S. trade embargo imposed on Nicaragua today is illegal and that it will draw Nicaragua closer to the Soviet Union.

May 2—Defense Minister Humberto Ortega Saavedra announces that 100 Cuban military advisers left today as scheduled.

May 20—On his return from a 25-day trip to Moscow and 12 other European capitals, President Daniel Ortega Saavedra says that the Soviet Union has promised to supply 80 to 90 percent of the oil Nicaragua will need this year.

May 29—The government says that talks have ended with a Miskito Indian faction fighting the government.

#### **NIGERIA**

(See also *Ghana*)

May 24—The government announces that the last of an estimated 200,000 illegal aliens have been deported.

#### **PERU**

May 17—The police report that the Shining Path Maoist guerrilla group set off 20 bombs in Lima last night.

May 26—Police arrest more than 2,000 people after a Lima policeman is killed by members of the Shining Path.

#### **PHILIPPINES**

May 2—In the trial of 25 military men and a civilian accused of killing opposition leader Benigno S. Aquino Jr. in 1983, a woman who was on Aquino's airplane testifies that she saw a soldier put a gun to Aquino's head and simultaneously heard a gunshot.

May 20—Western bankers in New York announce that they have approved the rescheduling of the Philippines' foreign debt and the provision of a \$925-million loan.

#### **POLAND**

May 1—In May Day parades in Warsaw, at least 15,000

people march for 2 hours to support Solidarity, the banned Polish labor union.

May 3—The government orders the expulsion of 2 U.S. diplomats for their alleged participation in illegal May Day demonstrations; the U.S. orders the expulsion of 4 Polish diplomats.

May 14—The government announces the resignation of General Mirosław Milewski; Milewski headed the state security police when 4 security police murdered a pro-Solidarity priest.

#### **PORTUGAL**

(See *China*)

#### **SOUTH AFRICA**

(See also *Angola*)

May 18—9,000 black goldminers strike after 2 members of their union are dismissed.

May 23—The government acknowledges that it sent military missions into northern Angola and that it lost contact with 1 of them; yesterday Angola announced that 2 South African saboteurs were killed and 1 was wounded when they tried to blow up the U.S.-owned Malonga oil installation in northern Angola.

May 25—The government announces that it will allow the formation of multiracial political parties.

#### **SPAIN**

(See also *U.S., Foreign Policy*)

May 14—The government says that it will investigate allegations that its official intelligence agency infiltrated opposition political parties.

#### **SRI LANKA**

May 15—Government officials report that at least 145 civilians in the town of Anuradhapura were killed by Tamil separatist guerrillas yesterday.

May 22—About 20,000 Tamils have reportedly been ordered to leave the Chundikkulam area in northern Sri Lanka; the Tamils want to set up a separate state in northern Sri Lanka.

May 24—President J. R. Jayewardene says he will set up martial law courts and that communities will be given the right to arm the local population; Jayewardene denies that 20,000 Tamils have been moved from northern Sri Lanka.

#### **SWEDEN**

May 20—Government employees end their strike after they accept a 2 percent wage increase; the government says that the 18-day strike by 265,000 union members cost the country more than \$9 million a day.

#### **SYRIA**

(See *Lebanon*)

#### **THAILAND**

(See also *Kampuchea*)

May 11—Thai military officials report that reinforced Vietnamese troops remain on the Thai border with Kampuchea; Vietnam denies its troops are in Thailand.

May 16—Military officials report that between 800 and 1,200 Vietnamese troops have been driven back into Kampuchea.

#### **U.S.S.R.**

(See also *Intl, Arms Control; India; Nicaragua; U.S., Foreign Policy*)

May 2—Tass, the government press agency, says that the U.S. embargo on trade with Nicaragua represents U.S. President Ronald Reagan's "pathological hatred for the Sandinista revolution."

May 5—Defense Minister Sergei L. Sokolov calls the U.S. Strategic Defense Initiative (SDI or Star Wars) a greater threat to peace than the atomic bomb; he denies that the Soviet Union is researching its own antimissile system.

May 8—General Secretary Mikhail Gorbachev marks the 40th anniversary of the end of the war with Germany by denouncing the U.S. as the "forward edge of the war menace to mankind."

May 16—The government announces a series of measures aimed at ending alcohol abuse; the new measures restrict vodka production and raise the drinking age from 18 to 21.

May 29—Gorbachev criticizes the U.S. SDI program; he says its continuation would mean the "scrapping of every prospect for an end to the arms race."

## UNITED KINGDOM

### Great Britain

(See also *Intl, OAS*)

May 1—Defense Minister Michael Heseltine announces that the military budget will increase by 3 percent next year.

May 12—32 Conservative party members announce the formation of the Conservative Center Forward, a group opposed to Prime Minister Margaret Thatcher's policies.

May 28—The European Court of Human Rights rules that Britain's immigration law permitting legally settled men but not women to bring their spouses into the country is discriminatory.

### Northern Ireland

May 17—Results from yesterday's local government elections show that Sinn Fein, the political wing of the Irish Republican Army (IRA) guerrilla group, has won 17 of 26 district councils.

May 20—The IRA takes responsibility for today's bombing near Newry that killed 4 policemen.

## UNITED STATES

### Administration

May 1—Interior Secretary Donald Hodel names William P. Mott Jr. director of the National Park Service.

May 3—Bill Brock takes office as Secretary of Labor.

May 8—Chairman of the Copyright Royalty Tribunal Marianne M. Hall resigns because of criticism of a book she edited on black Americans, which (among other racist comments) said that blacks insist "on preserving their jungle freedoms."

Former Deputy Secretary of Defense Paul Thayer is sentenced in U.S. district court to 4 years in prison and a \$5,000 fine on charges of obstructing justice.

May 16—A U.S. grand jury indicts California businessman Richard Kelly on charges of illegally exporting to Israel some 800 krytron electronic devices that may be used as triggers for nuclear devices.

May 20—The Federal Bureau of Investigation (FBI) arrests John Walker Jr., a retired U.S. Navy warrant officer, on charges of spying for the Soviet Union.

May 22—Lieutenant General Vernon Walters is sworn in as chief U.S. representative at the United Nations, succeeding Jeane Kirkpatrick.

In U.S. district court in Baltimore, Navy seaman Michael Walker is charged with aiding his father in espionage.

The Congressional Research Service and the Congressional Budget Office issue a report saying that the child poverty rate in the U.S. in 1983 was at "the highest level since the mid-1960's."

May 24—The Internal Revenue Service says that because of

computer problems some 1.5 million taxpayers may have to file duplicate returns for 1984 in order to get their refunds and that many taxpayers will not get refunds before the June 1, 1985, deadline and will receive interest on their refunds.

Director of the Occupational Safety and Health Administration Robert Rowland resigns; the Office of Government Ethics reports that it has found no conflict of interest in Rowland's involvement in affairs of companies in which he has substantial stock holdings.

May 28—In a national television address, President Ronald Reagan reveals the broad picture for reform of what he calls an "un-American" income tax system.

May 29—President Reagan presents detailed plans for reforming the U.S. tax system to Congress; under the plan, individuals with taxable income would be taxed at 3 rates of 15, 25 and 35 percent; personal exemptions would rise; state and local taxes would no longer be deductible; and businesses, in general, would pay higher taxes.

The Nuclear Regulatory Commission votes 4 to 1 to permit the reopening of the undamaged reactor at Three Mile Island, Pennsylvania, shut down since an accident in March, 1979.

### Civil Rights

May 1—The National Association for the Advancement of Colored People files suit in U.S. district court in Washington, D.C., to prevent the Justice Department from efforts to overturn quotas for the hiring of minorities and women.

### Economy

May 3—The Labor Department reports that the nation's unemployment rate remained at 7.2 percent in April.

May 10—The Labor Department reports that its producer price index rose 0.3 percent in April.

May 14—Maryland Governor Harry Hughes limits withdrawals from 102 privately insured Maryland thrift institutions to \$1,000 per month per depositor to halt a run on deposits at some of the institutions.

May 17—The Federal Reserve reduces its discount lending rate to 7.5 percent.

Most large banks reduce their prime rate to 10 percent.

May 18—The Maryland legislature passes emergency legislation giving Governor Hughes new powers to regulate savings and loan associations; the law also requires the institutions to obtain federal deposit insurance immediately.

May 21—The Commerce Department reports that the gross national product (GNP) grew at an annual rate of only 0.7 percent in the 1st quarter of 1985.

The Labor Department reports that its consumer price index rose 0.4 percent in April.

May 30—The Commerce Department reports that its index of leading economic indicators declined 0.2 percent in April.

May 31—The Commerce Department reports that the U.S. foreign trade balance showed a deficit of \$11.9 billion in April.

The New York Stock Exchange's Dow Jones Industrial Average of 30 blue-chip stocks closes at a new record high of 1,315.41.

### Foreign Policy

(See also *Intl, Arms Control, GATT, Middle East, NATO, UN; El Salvador; Greece; Israel; Korea, South; Lebanon; Nicaragua; Poland; U.S.S.R.*)

May 1—With an executive order and a letter to Congress, President Reagan embargoes trade with Nicaragua and bars Nicaraguan ships and planes from the U.S.

President Reagan begins a trip to Germany that will include an economic summit meeting in Bonn.



May 2—President Reagan meets with allied leaders before the opening of the 7-nation economic summit meeting.

May 5—President Reagan makes a controversial visit to a cemetery at Bitburg, Germany, where some 49 Waffen SS troops are buried; earlier, President Reagan visited the Belsen concentration camp where some 50,000 victims of the Nazis are buried.

May 6—President Reagan arrives in Madrid for talks with Spanish leaders.

May 7—President Reagan and Spanish Prime Minister Felipe González confer about reducing the number of (and eventually withdrawing) some 12,000 U.S. troops stationed in Spain.

May 8—Addressing the European Parliament in Strasbourg, France, President Reagan accuses the Soviet Union of "undermining stability and the basis for nuclear deterrence" with the deployment of new multiheaded missiles; the speech marks the 40th anniversary of the Allied victory in Europe. President Reagan and Soviet General Secretary Mikhail Gorbachev exchange messages marking the anniversary.

May 9—Addressing the Portuguese Parliament in Lisbon, President Reagan says that "there is an uprising of mind and will against the old clichés of collectivism" which are being replaced by cries of "power to the people."

May 10—Secretary of State George Shultz visits Israel to confer with Israeli officials about how Palestinians might join with Jordanians in negotiations with Israel.

President Reagan returns to Washington, D.C., and says that his 10-day trip to Europe was successful.

May 12—Secretary Shultz confers in Aqaba, Jordan, with Jordan's King Hussein to try to find non-PLO Palestinians willing to negotiate with Israel.

May 13—The U.S. State Department reports that a U.S. warship visit to Shanghai scheduled for May 18 has been postponed because it is not U.S. policy to state which of its warships are nuclear-armed.

The Federal Bureau of Investigation (FBI) reports the discovery and foiling of a Sikh terrorist plot to assassinate Indian Prime Minister Rajiv Gandhi on a visit to the U.S. in June.

May 14—Secretary Shultz meets in Vienna with Soviet Foreign Minister Andrei Gromyko.

May 16—El Salvador's President José Napoleón Duarte meets with President Reagan at the White House; Duarte claims gains in his struggle against rebel forces in El Salvador.

May 17—The State Department says it will aid a possible mission by Jesse Jackson aimed at liberating 5 Americans kidnapped in Lebanon over the last year.

May 20—Commerce Secretary Malcolm Baldrige meets in Moscow with Gorbachev to discuss expanding U.S.-Soviet trade.

The U.S.-operated Voice of America Radio Martí, aimed at Cuba, begins operations; the Cuban government responds by suspending major immigration agreements with the U.S.

May 22—U.S. officials say they may reevaluate their ruling about Cambodian refugee eligibility; yesterday, the State Department announced that the U.S. will soon stop processing Cambodian refugees in Thailand for immigration to the U.S. because none of the remaining refugees in Thailand are eligible for resettlement in the U.S.

New Zealand's Prime Minister David Lange informs the State Department that he will not meet with Secretary Shultz during Shultz's trip to Asia in July.

May 23—Speaking to the American Bar Association, Secretary Shultz says that if Congress does not provide aid to the Nicaraguan rebels the U.S. may face "an agonizing choice" about using U.S. troops in Central America.

May 25—U.S. officials report a series of meetings with Soviet

officials over airline safety to avoid such calamities as the Soviet shooting down of a South Korean passenger plane over Soviet airspace in 1983.

May 28—Jordan's King Hussein arrives in Washington, D.C., for talks with President Reagan and U.S. officials.

May 29—King Hussein says that Jordan and the Palestine Liberation Organization (PLO) are willing to discuss Middle East peace with Israel under the "umbrella" of an international conference based on "United Nations resolutions, including Security Council Resolutions 242 and 338," which recognize Israel's right to exist.

May 31—4 days of talks with Jordan's King Hussein end in Washington, D.C.

Yugoslav Prime Minister Milka Planinc meets in Washington, D.C., with Secretary Shultz.

### Labor and Industry

May 2—E. F. Hutton & Company pleads guilty to an elaborate fraud; the firm agrees to pay \$2 million in fines plus \$750,000 in court costs and restitution to the 4,000 banks it defrauded.

May 13—The General Electric Company pleads guilty, before trial, to 108 false claims for payment on a missile contract; the company is fined \$1.04 million and is ordered to return \$800,000 for falsely billed claims.

May 17—United Airlines pilots go on strike throughout the U.S. United is the nation's largest airline.

The International Brotherhood of Teamsters announces that its members have ratified a new 3-year contract with the trucking industry.

May 21—Navy Secretary John Lehman Jr. suspends the signing of all new contracts with the General Dynamics Corporation because of business misconduct; he also fines the company \$676,283 for giving gratuities to Admiral Hyman Rickover when he was director of the U.S. Navy's nuclear ship program.

### Legislation

May 1—Voting 236 to 190, the House seats Democrat Frank McCloskey as the winner of the election in Indiana's Eighth District; Republican members of the House walk out in protest. McCloskey won by 4 votes out of 233,000 votes cast.

May 16—In a voice vote, the Senate passes legislation repealing a law requiring detailed daily records of tax-deductible vehicle and home computer use; the House passed the bill last week, 426 to 1.

The Senate confirms the nomination of Vernon Walters as chief U.S. delegate to the UN.

May 23—The House votes 258 to 170 to approve a federal budget that would reduce the projected 1986 fiscal year deficit by \$56 billion.

### Science and Space

May 6—The space shuttle *Challenger* lands after an 11-day mission in space.

### Supreme Court

May 13—In a 6-3 decision, the Supreme Court upholds a lower court ruling that a motor home, like a car, may be searched without a warrant.

May 20—In a 6-3 decision, the Court overrules a lower court and says that *The Nation* magazine infringed the copyright on the memoirs of former President Gerald Ford when it printed unauthorized quotations from Ford's *A Time to Heal* several weeks before the publication of the book.

May 28—In a 5-3 decision, the Court overrules a lower court and says that a lawyer has a constitutional right to advertise for clients for a specific type of case.

**Urban Violence**

May 13—In an effort to dislodge members of MOVE (a radical and frequently militant group) from a house the group occupies in Philadelphia, police drop a bomb on its rooftop fortress; a subsequent fire spreads to more than 50 row houses in the neighborhood.

May 15—Eleven people are found to have died in the ouster of MOVE members from their house-fortress in Philadelphia; 61 row houses around the MOVE house were destroyed in the fire, leaving some 200 people homeless; Philadelphia officials promise to rebuild the neighborhood.

**VATICAN**

(See also *Italy*)

May 12—Thousands of Dutch protesters throw rocks and bottles at Pope John Paul II during his visit to Utrecht, the Netherlands.

**VIETNAM**

(See *Thailand*)

**YUGOSLAVIA**

(See *U.S., Foreign Policy*)

**JUNE, 1985****INTERNATIONAL****Conference on Security and Cooperation in Europe (Helsinki Accords)**

June 17—In Ottawa, the 35-nation conference on human rights ends without agreeing on a final report.

**European Economic Community (EEC)**

June 12—At an official ceremony in Madrid, Spain and Portugal sign a treaty admitting them to the Common Market. Basque terrorists launch a series of attacks during the ceremony, killing four people.

June 27—In retaliation for Washington's restrictions on pasta imports, the EEC more than doubles the import duty on American lemons and walnuts.

At a 2-day conference in Milan, France and West Germany announce that they will present a plan for political unity in Europe and a more efficient Common Market.

June 29—In Milan, the conference of European leaders ends with no agreement on ways to strengthen the EEC.

**International Terrorism**

(See also *Iran; Spain; U.S., Foreign Policy*)

June 14—A U.S. passenger jet with 104 Americans on board is hijacked on a flight between Athens and Rome and forced to fly to Beirut. A U.S. Navy passenger is beaten and shot to death. The hijackers are members of the terrorist group Islamic Holy War; they demand the release of 766 Lebanese prisoners held by Israel.

June 15—The plane is forced to fly to Algiers, where 60 passengers are released. One of the released flight attendants says that in Beirut, the hijackers sequestered 7 Americans with military papers or "Jewish-sounding names."

June 16—The plane returns to Beirut. Nabih Berri, the head of the Shiite Amal militia, takes responsibility for the remaining 39 Americans on board the plane, moving them from the plane and into the city of Beirut.

June 18—U.S. President Ronald Reagan calls on the hijackers to release the Americans without conditions.

June 19—3 people are killed and 42 are wounded when a bomb explodes at Frankfurt Airport.

June 20—The Arab Revolutionary Organization claims responsibility for the Frankfurt bombing.

June 22—Berri warns the U.S. not to use force to rescue the hostages or the hostages will be harmed.

June 23—An Air India passenger jet crashes off the coast of Ireland, killing all 329 people on board; Indian officials believe a bomb caused the crash. A Sikh student group claims responsibility for the crash.

In Tokyo, 2 baggage handlers are killed when a bomb explodes in luggage unloaded from a Canadian airliner.

June 24—Israel releases 31 Lebanese prisoners, but says the release is not related to the hijackers' demands in Beirut.

June 27—The U.S. says that 7 Americans kidnapped during

the last 15 months must be released with the other 39 hostages.

June 30—The 39 American hostages are released to Syrian custody after Syrian President Hafez Assad reaches an agreement with the hijackers for the hostages' release.

The Americans will be flown to West Germany tomorrow.

**Iran-Iraq War**

June 6—Iraqi warplanes bomb Teheran, killing 33 people. Iranian troops stage an attack 9 miles into Iraq.

June 8—Iran says it launched a "massive attack" on Iraq today.

June 9—An Iraqi air raid on a Kurdish refugee camp in Iran leaves 78 people dead and over 120 wounded.

**North Atlantic Treaty Organization (NATO)**

June 7—The spring meeting of NATO foreign ministers ends; the ministers support the U.S. position at the Geneva arms control talks but do not endorse the U.S. antimissile defense program.

**United Nations (UN)**

(See also *Afghanistan; Ethiopia; Lebanon*)

June 3—The International Labor Organization (ILO) reports that Vietnam has left the ILO because of ILO allegations that Vietnam has provided forced labor for the Soviet Union.

June 11—Samir Basta, the chief representative for the UN Children's Fund in the Sudan, says that President Gafaar Nimeiry deliberately suppressed information about the extent of famine in his country; Nimeiry was overthrown in a military coup in April.

**AFGHANISTAN**

(See also *India*)

June 2—Heavy fighting between Soviet troops and Afghan rebels is reported in the Kunar Valley near the Pakistan border.

June 10—Afghan rebels claim that they exploded a bomb on June 5 that killed 140 people in Mazar-i-Sharif.

June 20—In Geneva, Pakistani and Afghan diplomatic delegations hold a UN-mediated meeting on the Afghan conflict.

**ANGOLA**

June 2—In Jamba, a rebel-controlled village, members of guerrilla groups from Nicaragua, Angola, Afghanistan and Laos end a conference with the announcement that they have formed an alliance called the Democratic International.

June 30—South African army troops kill 16 members of the Southwest African People's Organization (SWAPO); South African General Constand Viljoen says that the South African troops will withdraw from Angola today.

## ARGENTINA

June 11—In Washington, D.C., the International Monetary Fund (IMF) announces that it will provide Argentina with a \$1.2-billion credit; the credit arrangement requires Argentina to pursue an austerity plan that cuts inflation by almost 1,000 percent.

The government announces an 18 percent devaluation of the peso.

June 14—President Raúl Alfonsín announces the introduction of a new currency, the austral, and the closing of the nation's banks until June 18.

## BOTSWANA

(See *South Africa*)

## BRAZIL

June 21—In São Paulo, American, Brazilian and West German forensic experts announce that they have "absolutely no doubt" that a skeleton recently exhumed near Embu is that of Dr. Josef Mengele, a Nazi war criminal.

## CANADA

(See also *Intl, Intl Terrorism*)

June 13—The Supreme Court rules that all Manitoba laws enacted in English are invalid because they were not enacted in French also; the court gives the invalid English laws "temporary" validity until they can be translated into French.

June 20—René Lévesque announces that he is resigning as head of the Parti Québécois, the governing party in Quebec for the last 9 years.

June 26—Alberta's Premier, Peter Lougheed, resigns as head of the Progressive Conservative party.

## CHILE

June 21—At least 9 million people in the central valley of Chile are without power overnight after saboteurs blow up 5 electrical transmission towers in the region.

## CHINA

(See also *U.S.S.R.*)

June 1—A Chinese Communist party directive issued on May 29 calls for changes in the educational system, including more autonomy for colleges and universities and the expansion of vocational schools.

June 11—The government reports that new officers have been appointed to "senior" posts in the 11 regional military commands; yesterday the Central Military Commission announced a 1-million-man reduction in the 4.2-million-man army.

June 12—The government announces that President Li Xian-nian will visit the U.S. in July.

June 18—The standing committee of the National People's Congress announces the appointment of 9 new government ministers; 6 of the ministers they are replacing are over the age of 65 and will be retired.

## COSTA RICA

June 10—About 500 Costa Ricans attack the Nicaraguan embassy in San José; on May 31, 2 Costa Rican civil guardsmen were killed near the Costa Rican-Nicaraguan border in fighting with Nicaraguan troops.

## CYPRUS

June 9—Rauf Denktash is reelected President of the Turkish Republic of Northern Cyprus; the self-proclaimed republic is recognized only by Turkey.

## EL SALVADOR

June 2—National guardsmen and national policemen take over several hospitals in San Salvador in order to break up a strike; 4 national policemen are accidentally killed by the guardsmen in the raid.

June 20—Leftist guerrillas kill 13 people at an outdoor cafe in San Salvador; 4 U.S. marines and 2 U.S. businessmen are among the dead.

June 25—Guerrilla military leaders announce that the killing of the U.S. marines on June 20 was "only a beginning."

June 26—Three new witnesses claim that a Salvadoran army captain took part in the 1981 killing of 2 U.S. agrarian advisers and the Salvadoran head of the land redistribution institute.

## ETHIOPIA

(See also *Sudan*)

June 15—Two UN officials in Addis Ababa ask Western nations not to make new shipments of food to Ethiopia until food already in the country is moved to relief centers; the officials also say that the Chairman of the Provisional Military Administrative Council, Lieutenant Colonel Mengistu Haile Mariam, has promised to increase the distribution of grain.

## FRANCE

(See *New Zealand*)

## GERMANY, EAST

June 7—The British military command in Bonn reports that on June 4, Soviet soldiers in East Germany rammed a car carrying 3 British observers and then detained the British for 5 hours; Soviet officials gave no explanation for the action.

## GERMANY, WEST

(See also *Intl, Intl Terrorism*)

June 14—Chancellor Helmut Kohl's spokesman, Peter Boenisch, resigns because of allegations that he evaded taxes.

## GREECE

(See also *U.S., Foreign Policy*)

June 2—Prime Minister Andreas Papandreu's Socialist party wins 46.45 percent of the vote in general elections; the conservative New Democracy party wins 40.56 percent.

June 5—Prime Minister Papandreu says he hopes to have better relations with the U.S. in his 2d 4-year term.

## HONDURAS

(See *Nicaragua*)

## HUNGARY

June 9—Results from yesterday's election show that 25 independents gained seats in the 387-seat Parliament; a 1983 law mandates that at least 2 candidates must vie for 352 of the seats.

## INDIA

(See also *Intl, Intl Terrorism; U.S., Foreign Policy*)

June 2—Prime Minister Rajiv Gandhi meets with Sri Lankan President J.R. Jayewardene to discuss a negotiated solution to the ethnic fighting in Sri Lanka; Sri Lanka has accused India of allowing the Tamil separatists fighting the government to establish bases in India.

June 13—In a speech before a joint meeting of the U.S. Congress, Prime Minister Gandhi calls for a negotiated solution for Afghanistan that includes nonaligned status for Afghanistan and the withdrawal of Soviet troops.



## IRAN

(See also *Intl, Iran-Iraq War; Lebanon*)

- June 24—Speaker of the Iranian Parliament Hojatolislam Hashemi Rafsanjani denies any Iranian involvement in the June 14 hijacking of the U.S. airliner in Athens.

## IRAQ

(See also *Intl, Iran-Iraq War*)

- June 26—The government breaks relations with Libya because it says Libya has formed an alliance with Iran.

## ISRAEL

(See also *Intl, Intl Terrorism; Lebanon*)

- June 2—Prime Minister Shimon Peres announces that Israeli troops will complete their withdrawal from Lebanon by June 6, the 3d anniversary of the Israeli invasion of Lebanon.  
June 10—Prime Minister Peres proposes a 5-point peace plan for the Middle East that he says is an alternative to the peace plan formulated by Jordan's King Hussein last month.

## ITALY

- June 3—Italy and the Vatican ratify a treaty separating the Roman Catholic Church from the state. The new pact, known as a concordat, ends the Roman Catholic Church's status as the state religion.  
June 10—Italians vote against a Communist party proposal to reinstate wage increases proportional to inflation. The defeat of the proposal marks a victory for the Socialist party.  
June 11—Mehmet Ali Agca, the state's chief witness in the trial of 8 defendants accused of conspiracy in the assassination attempt on Pope John Paul II in 1981, testifies that the order to kill the Pope came from the Soviet embassy in Sofia, Bulgaria.  
June 16—Giovanni Pandico, a confessed Italian racketeer who turned state's evidence, testifies in an unrelated case that Agca was coached in prison by the Italian secret service to claim that the Soviet embassy gave the order to kill the Pope.  
June 24—Francesco Cossiga, a Christian Democrat, is elected President by 752 out of 977 parliamentary votes; Cossiga succeeds Sandro Pertini, a Socialist.  
June 27—After weeks of contradictory testimony and several claims that he is Jesus Christ, Agca is dismissed from court to "think things over."

## JAPAN

(See *Intl, Intl Terrorism; U.S., Foreign Policy*)

## JORDAN

(See *Israel; U.S., Foreign Policy*)

## LEBANON

(See also *Intl, Intl Terrorism; Israel; Spain*)

- June 2—A delegation of Iranians led by the Ayatollah Mahdi Karoubi arrives in Beirut to hold talks with Shiite Amal militia leaders about ending Shiite attacks on Palestinian refugee camps in Lebanon.  
June 6—Nabih Berri, the head of the Shiite Amal, says that he will join forces with Palestinian guerrillas and attack Israel if Israel sets up a security zone inside southern Lebanon.  
June 7—The South Lebanon Army, a Christian militia backed by Israel, seizes 24 UN soldiers; the army says it will shoot 1 hostage every hour unless 11 army members supposedly held by the Amal are released.  
June 9—The dean of agriculture at the American University of Beirut is kidnapped; he is the 8th American kidnapped in Lebanon since March, 1984.  
June 10—The withdrawal of Israeli combat forces from Lebanon ends.

- June 14—Two suicide bombers crash their cars into a Lebanese army position in West Beirut; 23 people are killed and 36 are wounded.

- June 15—The 21 UN soldier hostages are released after the Christian militia accepts reports that their 11 members defected to the Amal.

- June 19—A car bomb explodes in Tripoli; 75 people are killed and more than 100 are wounded.

## LIBYA

(See *Iraq*)

## MEXICO

- June 17—Mexico reduces the price of its heavy crude oil by \$1.50 per barrel.

## MOZAMBIQUE

- June 12—In Harare, Zimbabwe, President Samora Machel meets with leaders of Tanzania and Zimbabwe to discuss an end to the rightist guerrilla movement in Mozambique.

## NAMIBIA

- June 17—The South African government installs a new, multiracial government that will have limited autonomy.

## NEPAL

- June 21—The government reports that 125 people have been arrested in connection with yesterday's rash of bombings in Katmandu; 7 people were killed and 24 were wounded in the attacks.

## NEW ZEALAND

- June 4—The government protests France's explosion of a nuclear device at Muroroa Atoll, the 3d such test this year.

## NICARAGUA

(See also *Costa Rica; U.S., Foreign Policy, Legislation*)

- June 5—The government announces that its forces shot down 2 helicopters that entered Nicaragua from Honduras; it believes that the helicopters belonged to the contras.  
June 6—Defense Minister Humberto Ortega Saavedra says a U.S. invasion of Nicaragua would lead to "generalized violence" against the U.S. throughout Central America.  
June 11—President Daniel Ortega Saavedra says that the state of siege law will be lifted if the U.S. ends aid efforts for the contras and resumes talks with the government.  
June 13—President Ortega says that Nicaragua will end its 5-month-old ban on the importation of arms because the U.S. House of Representatives voted yesterday for "humanitarian" aid to the contras.  
June 15—The political wing of the contras says the contras have adopted a "code of conduct" that will insure civilian control of the guerrillas and diminish any human rights abuses committed by them.  
June 17—Enrique Bolaños, the president of Nicaragua's largest business federation and a critic of the government, says that the government has confiscated his land in reprisal for his criticisms; the government denies the charge.

## NORWAY

- June 20—Arne Treholt, a former diplomat, is convicted of spying for the Soviet Union and is sentenced to 20 years in prison.

## PAKISTAN

(See *Afghanistan*)

## PHILIPPINES

- June 1—President Ferdinand Marcos says that troops from allied nations may be needed to help crush the Communist guerrilla movement in the Philippines.
- June 11—President Marcos says he may reimpose martial law if the guerrillas begin "fighting in the streets."
- June 12—Salvador H. Laurel is nominated as the presidential candidate of the opposition United Nationalist Democratic Organization.

## POLAND

(See also *Vatican*)

- June 1—The zloty is devalued for the 6th time in 4 years.
- June 14—A judge in Gdansk sentences 3 dissidents to prison for causing civil disorder; the sentences range from 2 to 3½ years.
- June 19—Lech Walesa, the head of the banned trade union Solidarity and a winner of the Nobel peace prize, says that the government has ordered him to stop criticizing it or he will be punished.

## PORTUGAL

(See also *Intl, EEC*)

- June 25—Prime Minister Mário Soares resigns; on June 13 the Social Democrats withdrew from the coalition government, leaving Soares without a parliamentary majority.

## SOUTH AFRICA

(See also *Namibia; U.S., Foreign Policy, Legislation*)

- June 5—Caspar Venter, an assistant to Deputy Foreign Minister Louis Nel, issues a statement saying that more than 1 million black workers will be expelled from South Africa if the U.S. Congress passes legislation requiring U.S. companies to withdraw their investments from South Africa.
- June 11—A judicial inquiry into the March killing of 20 black demonstrators by police finds that the police "fabricated" the story that they had been attacked by the demonstrators before opening fire.
- June 14—Government troops attack the capital of Gaborone, Botswana, killing 16 people. The South African government says it staged the attack on members of the African National Congress (ANC).
- June 19—President P.W. Botha tells Parliament that South Africa will solve its own problems without "international meddling."
- June 25—Oliver Tambo, the head of the ANC, says that the group will continue its attacks in South Africa even if this means more civilian casualties.

## SPAIN

(See also *Intl, EEC*)

- June 4—Hundreds of thousands of demonstrators march in several major cities to ask Prime Minister Felipe González's Socialist government not to pass proposed pension changes.
- June 20—In the 1st nationwide strike since 1977, most of Spain's industry and transportation are shut down. The strike was called by Communist-led unions.
- June 25—2 Lebanese are sentenced by a court to 23 years in prison for shooting a Libyan diplomat last year.

## SRI LANKA

(See also *India*)

- June 18—The government announces a cease-fire agreement with the Tamil separatist guerrillas to begin within 2 weeks.

## SUDAN

(See also *Intl, UN*)

- June 24—Major General Fadlulla Nassir Burma, a member of

the ruling military council, says that the Sudan will restore diplomatic ties with Ethiopia.

## SYRIA

(See *Intl, Intl Terrorism*)

## UGANDA

- June 11—The human rights group Amnesty International reports that government troops and security forces continue to torture and unlawfully detain civilians.

## U.S.S.R.

(See also *Afghanistan; Germany, East; Italy; U.S., Foreign Policy*)

- June 4—Chief of the General Staff Marshal Sergei F. Akhromeyev says that the Soviet Union will oppose any effort to revise the 1972 Antiballistic Missile Treaty to allow the U.S. to develop an antimissile defense system.
- June 11—General Secretary of the Communist party Mikhail Gorbachev calls for the modernization of the Soviet Union's economy and a reversal of the "negative trends" of the Leonid Brezhnev era.
- June 14—The official press agency Tass reports that an American diplomat is being expelled for espionage.
- June 26—Gorbachev says that Soviet participation in the Geneva arms control talks will be reassessed if the U.S. continues to "mark time" on the subject of defensive weapons.
- June 28—At a dinner for Le Duan, the Vietnamese Communist party's General Secretary, Gorbachev calls for improved ties between China and Vietnam.

## UNITED KINGDOM

### Great Britain

(See also *Germany, East*)

- June 3—The government announces proposals that radically change the British social welfare system; the government says the changes are necessary because "the British social security system has lost its way."
- June 5—The government-owned British National Oil Corporation announces a \$1.25 per barrel oil price decrease.
- June 24—Scotland Yard says that it has uncovered a plot by the Irish Republican Army (IRA) to plant bombs at 12 seaside resorts in England, to be exploded in mid-July.

### Northern Ireland

- June 18—IRA guerrillas blow up an unmarked police car near the border of the Irish Republic; 1 officer is killed and 1 is wounded.

## UNITED STATES

### Administration

- June 2—Arthur Walker, brother of John Walker Jr., is arrested on espionage charges.
- June 3—Retired U.S. Navy radioman Jerry A. Whitworth is arrested by the Federal Bureau of Investigation (FBI) on espionage charges for his involvement with the Walkers.
- June 5—The Energy Department announces that it expects to shut down its uranium enrichment plant at Oak Ridge, Tennessee, and to halt construction of its Portsmouth, Ohio, plant.
- June 26—In Los Angeles, Soviet émigrés Svetlana Ogorodnikov and her husband Nikolay plead guilty to espionage charges involving former FBI agent Richard Miller, who has not yet been tried for conspiring with the couple to pass secret documents to the Soviet Union.
- June 27—The Senate Judiciary Committee votes 10 to 8 to reject the nomination of William Bradford Reynolds as

associate attorney general. President Ronald Reagan defended his nominee in a radio address on June 15.

June 28—President Reagan insists that director of the Office of Management and Budget David Stockman is the victim of “a definite and deliberate misquote” in a *New York Times* report of a Stockman speech on June 5 to the board of the New York Stock Exchange; in the supposedly off-the-record speech, Stockman said that tax increases may be the only way to curb the federal budget deficit.

### Civil Rights

June 7—In Winston-Salem, North Carolina, a federal jury finds 8 people guilty and liable for damages in the wrongful deaths of 5 Communist Workers party demonstrators at a rally in Greensboro, North Carolina, on November 3, 1979.

### Economy

June 7—The Labor Department reports that the nation's unemployment rate remained at 7.2 percent in May.

June 14—The Labor Department reports that its producer price index rose 0.2 percent in May.

June 18—Most of the nation's major banks lower their prime rate to 9.5 percent.

June 28—The Commerce Department reports that its index of leading economic indicators rose 0.7 percent in May.

The Commerce Department reports that the nation's foreign trade deficit was \$12.7 billion in May.

The New York Stock Exchange's Dow Jones Industrial Average of leading stocks closes at a record high of 1,335.46.

### Foreign Policy

(See also *Intl, EEC, Intl Terrorism, NATO; Argentina; El Salvador; Greece; India; Lebanon; Nicaragua; South Africa; U.S.S.R.*)

June 4—White House spokesman Larry Speakes says that the U.S. “calls upon the government of Nicaragua to halt any further military operations against its neighbors.”

Agriculture Secretary John Block announces the sale of up to one million metric tons of wheat to Algeria; an unspecified amount of wheat from U.S. stocks is to be released to U.S. exporters at no cost to enable them to meet European Economic Community prices.

June 5—In a speech in Atlanta, President Reagan says that the Soviet Union is providing arms and equipment to Nicaragua worth “hundreds of millions” of dollars.

June 6—In a speech in Alabama, President Reagan affirms that normal relations with Vietnam can only come about after the Vietnamese give “the fullest possible accounting for our POW's and MIA's” and peacefully resolve their “brutal occupation” of Kampuchea.

June 10—President Reagan announces that the U.S. will continue to honor the provisions of the 2d strategic arms limitation treaty of 1979 (SALT II).

Defense Secretary Caspar Weinberger discusses Pacific defense with Japanese Defense Minister Koichi Kato in Washington, D.C.

June 11—Indian Prime Minister Rajiv Gandhi arrives in Washington, D.C., for a 4-day visit to meet with President Reagan and other officials.

The State Department reports that the U.S. has released 4 East Europeans imprisoned on espionage charges in exchange for 25 Western bloc agents held prisoner in East Germany and Poland; the exchange took place on a bridge over the river between West Berlin and East Germany.

June 13—The White House reports that it will ask for a \$250-million increase in economic aid for Jordan.

June 14—State Department spokesman Bernard Kalb announces the recall of U.S. Ambassador to South Africa

Herman Nickel to protest the South African government's “recent conduct and policies.”

June 18—Under Secretary of Agriculture Daniel Amstutz reports from Moscow that the U.S. and the Soviet Union have agreed to resume the agricultural cooperation that was broken off by the Soviet invasion of Afghanistan in 1979.

The State Department issues a warning to American travelers that there is an “above average potential for terrorist activities” at the Athens International Airport.

June 24—Secretary of State George Shultz asks all nations to unite to combat terrorism.

June 27—Transportation Secretary Elizabeth Dole announces that the U.S. will end curbside baggage checking for all international flights at U.S. airports.

June 30—Welcoming the release of 39 hostages, President Reagan warns that the U.S. will fight back against terrorists “in Lebanon and elsewhere.”

### Labor and Industry

June 14—In a landmark decision after a nonjury trial, a Cook County Circuit Court judge rules that 3 officials of the Film Recovery Systems Company are guilty of murder because their company allowed workers to work in such an unsafe building that one of the workers died of cyanide poisoning.

June 15—5,000 United Airline pilots end their 29-day strike after a tentative contract with the company is agreed on.

June 18—The Treasury Department announces fines totaling some \$1.2 million against Chase Manhattan Bank, Manufacturers Hanover Trust, Chemical Bank, and Irving Trust for failure to report many cash transactions of \$10,000 or more between 1980 and 1984.

June 26—The Environmental Protection Agency (EPA) modifies its fuel economy regulations; General Motors Corporation and the Ford Motor Company will apparently benefit the most.

### Legislation

(See also *South Africa*)

June 5—In a setback for the administration, the House votes 295 to 127 to approve economic sanctions against South Africa. The Senate Foreign Relations Committee has already approved milder sanctions.

The Senate votes 90 to 5 to approve a resolution asking President Reagan to continue to adhere to the terms of SALT II.

June 6—The Senate votes 55 to 42 to authorize \$38 million in nonmilitary aid over the next 2 years to the Nicaraguan contras (rebels). The House has not yet voted.

June 13—Voting 94 to 0, the Senate appropriates \$12 billion more than President Reagan asked as part of an effort to strengthen the Clean Water Act; the House has not yet acted on this measure.

June 18—The House approves by voice vote a measure forbidding the purchase of any additional MX missiles in fiscal 1986 and limiting deployment to 40 missiles.

June 27—The House votes 312 to 111 to forbid the deployment of U.S. combat troops in Nicaragua; a series of Republican amendments dilute the measure.

### Supreme Court

June 4—The Court rules 6 to 3 that “government must pursue a course of complete neutrality toward religion”; it declares that an Alabama law permitting a daily one-minute period of silence in public schools for meditation or prayer is unconstitutional.

June 10—The Court rules 8 to 0 that regional banking zones are constitutional under both federal law and the Constitution; this allows banks outside a locality to set up regional banking zones to acquire local banks.



June 17—The Court rules 8 to 0 to uphold lower court decisions that airlines cannot force flight engineers to retire at age 60.

June 26—The Court rules 8 to 0 that a Connecticut law that allowed employees to refuse to work on their chosen Sabbath day is unconstitutional.

June 27—In a 5-4 decision, the Court rules that a union may not penalize workers who resign from a union during a strike; union members who resign and continue to work are usually fined by the union.

#### Trust Territory of the Pacific, Palau

June 30—President Haruo I. Remeliik is shot and killed in front of his home in Koror, Palau; no motive or assailant has been found.

### INTERNATIONAL

#### Conference on Security and Cooperation in Europe (Helsinki Accords)

July 30—Foreign ministers from 35 nations meet for the 10th anniversary of the signing of the accords. In opening speeches, U.S. Secretary of State George Shultz accuses the Soviet Union of continuing violations of human rights. Soviet Foreign Minister Eduard A. Shevardnadze charges that the U.S. is engaged in an arms buildup.

#### International Air Transport Association

July 16—The association reports that security at the Athens airport has increased to a satisfactory level since the hijacking of a U.S. airliner from Athens last month.

#### International Terrorism

(See also *Denmark*; *Spain*)

July 1—The U.S. State Department says that the U.S. is ending air service to the U.S. by the 2 Lebanese airlines and is beginning a diplomatic campaign "to isolate" Beirut International Airport.

July 2—U.S. President Ronald Reagan welcomes 30 former hostages on their arrival at Andrews Air Force Base; the men had been on board a hijacked U.S. airliner.

July 3—The U.S. State Department says that the hostages were freed by means of a formula devised by Syria.

#### Middle East

July 26—Chairman of the Palestine Liberation Organization (PLO) Yasir Arafat says that the PLO is moving men and weapons into southern Lebanon.

#### Organization of African Unity (OAU)

July 20—The 21st meeting of the OAU ends after a 4-day conference; the organization says that most African nations are on the verge of "economic collapse"; Idé Oumarou is elected Secretary General.

#### Organization of Petroleum Exporting Countries (OPEC)

July 7—The members of OPEC end 3 days of meetings in Vienna after failing to agree on any major policy changes in pricing or oil production.

July 25—OPEC ministers end a 4-day meeting in Geneva with a 10-3 vote to cut oil prices slightly; heavy crude will be 50 cents per barrel lower.

#### United Nations (UN)

(See also *South Africa*)

### VATICAN

(See also *Italy*)

June 22—Pope John Paul II meets with Polish Foreign Minister Stefan Olszowski at the Vatican.

### VIETNAM

(See *Intl*, *UN*; *U.S.S.R.*; *U.S.*, *Foreign Policy*)

### ZIMBABWE

June 30—Prime Minister Robert Mugabe says that whites who voted for former Prime Minister Ian Smith in the 1st part of a 2-stage general election are "racists of the past." In the elections, whites vote 1st and then the black majority votes. ■

## JULY, 1985

July 6—The United Nations Food and Agricultural Organization reports that 8 of the 21 African nations that have suffered from acute famine in 1984-1985 have returned to good weather conditions and good harvests; Chad, Ethiopia, Mali, Niger and Sudan are still in a crisis state.

July 26—With the U.S. and Britain abstaining, the Security Council approves a resolution asking all governments to make no new investments in South Africa and asking South Africa to repeal its emergency decrees and eliminate apartheid.

July 29—In Nairobi, Kenya, the conference marking the close of the United Nations Decade for Women ends; after 3 weeks of sometimes sharp disagreement, the 2,100 delegates unanimously adopt a "Forward Looking Strategies" document in a final session.

### AFGHANISTAN

July 14—The government asks Pakistan to return 2 Afghan air force helicopters and their crews; Pakistan says the crews defected and have asked for political asylum.

### ANGOLA

July 13—The Foreign Ministry announces that it is suspending talks with the U.S. about a peace settlement between Angola and South Africa because of the U.S. Congress's July 11 vote to lift restrictions on aid to rebel groups in Angola.

### AUSTRALIA

July 15—Foreign Minister William G. Hayden meets with U.S. Secretary of State George Shultz in Canberra; they express regret over New Zealand's absence from their discussions about ANZUS (the pact signed by Australia, New Zealand, and the U.S.).

### BELGIUM

July 16—King Baudouin rejects the resignation of Prime Minister Wilfried Martens's entire Cabinet after several members indicate they will resign individually; the rejection allows Martens's government to continue.

### BOLIVIA

July 15—Preliminary results from yesterday's presidential elections give the lead to General Hugo Banzer Suárez; Suárez headed a military government in Bolivia from 1971 to 1978.

### BRAZIL

July 4—The government announces austerity measures to try to cut the nation's inflation rate and its deficit.

**BULGARIA**(See *Italy*)**CHINA**(See also *U.S.S.R.*; *U.S.*, *Foreign Policy*)

July 3—The official New China News Agency reports that the Reverend Ignatius Kung, the Roman Catholic Bishop of Shanghai, is being paroled from prison today after serving almost 30 years of a life term for "treason."

July 6—The official news agency reports that an agreement was initialled with Japan yesterday on the peaceful use of nuclear energy; the agreement allows Japanese companies to build nuclear power plants in China.

July 11—President Li Xiannian tells reporters that the accusations made by the U.S. House of Representatives charging that China uses forced abortion and sterilization for population control are "a fabrication and a distortion"; the House voted yesterday to cut off U.S. foreign aid to any country that uses coercive population control measures.

July 31—The official news agency reports that 3 officials on the island of Hainan have been dismissed and others are under investigation for embezzling almost \$1.5 billion; the government charges that the officials took advantage of China's "open-door" economic policy.

**CUBA**

July 30—President Fidel Castro opens a conference on Latin American debts; Castro, sponsoring the conference, is asking Latin American nations to repudiate their foreign debts.

**DENMARK**

July 22—Islamic Holy War, a Middle Eastern terrorist organization, claims responsibility for today's bombings of a synagogue and an airline office; 27 people have been wounded.

**DOMINICA**

July 1—Prime Minister Eugenia Charles's Dominica Freedom party wins 15 of 21 parliamentary seats in today's elections; Charles will be sworn in as Prime Minister on July 3.

**EGYPT**

July 4—President Hosni Mubarak meets with Jordan's King Hussein in Cairo to discuss Jordan's latest Middle East peace plan.

July 16—The government announces that it is charging a leading advocate of Islamic fundamentalism and 13 supporters with sedition; in the last 2 days the government has arrested at least 45 Muslim extremists.

**EL SALVADOR**

July 3—A judge rules that there is insufficient evidence to bring a Salvadoran officer to trial for the 1981 killing of 2 U.S. labor advisers and a Salvadoran peasant organizer.

July 5—Joaquín Villalobos, the senior military commander of the leftist guerrillas fighting the government, says that his forces will carry out small-scale attacks that will bring down the government within 1 year.

**ETHIOPIA**

July 14—The Eritrean People's Liberation Front, a secessionist group, says that on July 6 it captured Barentu, a government outpost near Sudan.

**FRANCE**

July 24—Prime Minister Laurent Fabius announces that France is suspending all new investment in South Africa and

that it is recalling its ambassador to South Africa.

**GERMANY, EAST**

July 16—The U.S. Defense Department says that last weekend a Soviet army truck rammed a U.S. vehicle carrying 3 U.S. soldiers in East Germany; the U.S. has protested the action.

July 22—The U.S. Defense Department says it has received what it considers to be an apology from the Soviet Union for the ramming of the U.S. vehicle; it says the ramming may not have been intentional.

**GREECE**(See *Intl*, *Intl Air Transport Association*)**GUATEMALA**

July 13—The military government of General Mejía Victores announces that 2 new Cabinet ministers and a new mayor of Guatemala City have been named to replace those who resigned on July 10.

**GUINEA**

July 5—Brigadier General Lansana Conté announces that a coup attempt by former Prime Minister Diarra Traoré has been foiled. 18 people were killed and 229 were wounded in the attempt.

July 7—Conté says that Traoré and his coconspirators will be shot by firing squad "shortly."

**HAITI**

July 23—A pro-government newspaper says that the government of President-for-Life Jean-Claude Duvalier has won an affirmative vote in a constitutional referendum that allows Duvalier to rule without elections and to name his successor; news reporters and opposition politicians say massive vote fraud occurred during the balloting.

**INDIA**

July 20—Judge B.N. Kirpal, the head of the investigation into the crash of an Air India jet last month, says that the 2 black boxes retrieved from the crash site do not show whether the plane crashed because of a bomb or because of structural failure.

July 24—Prime Minister Rajiv Gandhi announces that he has signed an agreement with the head of the largest Sikh political party; the agreement grants Sikhs in Punjab state greater control over the state and enlarges the state's area to accommodate a larger Sikh population.

July 26—Major Sikh political leaders announce that they have accepted Gandhi's proposal and will end their political agitation; 2 militant groups have rejected the proposal.

July 31—Lalit Maken, a member of Parliament from the ruling Congress party, is assassinated outside his home in New Delhi; no group takes responsibility.

**ISRAEL**(See also *Lebanon*)

July 1—The government declares an economic emergency and imposes an austerity plan; measures include an 18.8 percent devaluation of the shekel, price increases and reductions in the government labor force and budget.

July 2—Most of Israel's economy is shut down because of a strike called by the Histadrut, the nation's labor federation, to protest the austerity measures.

July 3—The military releases 300 of the 735 Lebanese men it has detained since it withdrew from Lebanon.

July 17—The government rejects a list of Palestinian delegates to Middle East peace talks suggested by Palestine Liberation Organization (PLO) chairman Yasir Arafat.

July 19—Government radio reports that the Soviet Union has offered to restore diplomatic relations with Israel if the Soviet Union is allowed to participate in Middle East peace talks.

July 22—A court sentences 3 Israeli terrorists to life in prison and sentences 12 other Israeli terrorists to 3 to 10 years in prison.

July 24—100 more Lebanese detainees are released.

### ITALY

July 1—Mehmet Ali Agca, who is being tried along with 7 others for conspiring to kill Pope John Paul II, says that there was a 4th Turk involved in the assassination attempt; in an earlier story, he told police there were 3 Turks involved.

July 2—Agca tells the court that a Bulgarian diplomat gave him detailed instructions on when and where to assassinate Pope John Paul II; during the testimony Agca again claims to be Jesus Christ.

July 20—The government announces that the lira is being devalued 7.8 percent.

### JAPAN

(See also *China; U.S., Foreign Policy*)

July 4—Daiwa Securities announces that it will be the 1st Japanese securities company to open a trust bank in the U.S.

July 17—The Supreme Court rules that the 1983 parliamentary elections were unconstitutional because of procedural irregularities that gave the ruling Liberal-Democratic party additional seats in Parliament; the court does not declare the election results illegal.

July 23—Toyota Motor Corporation announces that it will build an assembly plant in the U.S. that will begin production in 1988.

July 30—The government announces a package of measures to open Japan's domestic market to foreign business; the measures include relaxed import restrictions and simplified safety and quality standards.

In a televised address, Prime Minister Yasuhiro Nakasone asks the U.S. Congress not to pass protectionist measures; he also calls on the Japanese to cooperate with the government's program to increase imports.

### JORDAN

(See *Egypt; Syria*)

### KAMPUCHEA

(See also *U.S., Legislation*)

July 16—The Khmer Rouge guerrillas announce that they would agree to a power-sharing arrangement with the present Kampuchean government and that they would allow political pluralism.

### KOREA, SOUTH

July 18—Diplomats in Tokyo report that the South Korean government has arrested 56 students for "anti-government" activities that aid North Korea.

### KUWAIT

July 11—Terrorists explode bombs at 2 cafés, killing 9 people and wounding 56; no group takes responsibility for the attacks.

### LEBANON

(See also *Intl, Intl Terrorism, Middle East; Israel*)

July 2—Lebanese officials criticize the U.S. plan to isolate Beirut International Airport until "the people of Beirut place terrorists off limits."

July 9—Twelve people are killed and 6 are injured when 2 suicide car bombers attack 2 Israeli army checkpoints.

July 10—Israeli jets bomb 3 Palestinian camps in northern Lebanon; 15 people are killed and 29 are wounded.

July 12—The government-owned Beirut radio reports that the government knows who hijacked a U.S. airliner last month and that it will prosecute the hijackers.

July 15—A stolen International Red Cross car with a suicide driver explodes at an Israeli checkpoint; 10 people are killed. The government radio says the explosion is "another heroic operation by Lebanese resistance fighters."

July 30—The Shiite Amal militia receives 50 Soviet-made tanks from Syria; a Lebanese government source says that the tanks will be used against Palestinian guerrillas.

July 31—The Syrian Social Nationalist party takes responsibility for today's suicide car bombing of an Israeli patrol inside Israel's "security zone" in southern Lebanon; there are conflicting reports on the number of people killed.

### LIBERIA

July 18—The military government announces that it is severing diplomatic ties with the Soviet Union.

### LIBYA

(See *Sudan*)

### MEXICO

July 8—Results from yesterday's elections give the ruling Institutional Revolutionary party (IRP) a majority of the seats in the national Chamber of Deputies; the IRP also wins 7 governorships. Opposition parties charge that widespread voting fraud and other irregularities benefited the IRP.

July 10—The government cuts oil prices by \$1.24 a barrel.

July 23—The government announces that it will allow U.S.-based IBM to build an American-owned computer plant in Mexico; in January the government rejected the IBM proposal.

### NAMIBIA

July 28—Guerrillas from the South-West African People's Organization shell a South African military post near the Angolan border; 2 people are hurt.

### NEW ZEALAND

(See also *Australia; U.S., Foreign Policy*)

July 10—A bomb explodes on a ship used by the Greenpeace environmental group; 1 member is killed. No one takes responsibility for the attack.

July 23—2 people are arrested and charged with the Greenpeace bombing.

### NICARAGUA

July 19—President Daniel Ortega tells a crowd celebrating the 6th anniversary of the Nicaraguan revolution that the U.S. is supporting terrorism by aiding the rightist guerrillas (contras) fighting the government.

July 30—The Interior Ministry says that 29 soldiers were killed on July 28 and 29 by contras in northern Nicaragua.

### PAKISTAN

(See *Afghanistan; U.S., Foreign Policy*)

### PERU

July 28—In his inaugural address, President Alan García Pérez announces that Peru will limit payments on its foreign debt to no more than 10 percent of its export earnings.

### POLAND

July 1—The government raises meat prices by 15 percent.



**SOUTH AFRICA**

(See also *Intl, UN; Angola; France; Namibia; U.S., Foreign Policy*)

- July 4—The United Democratic Front, the largest non-parliamentary opposition group in South Africa, charges that the government "or its agents" have sanctioned "death squads" that murder political opponents.
- July 5—A medical panel censures 2 white doctors for their negligent treatment of Steven Biko, a prominent black activist who died in police custody in 1977; 1 of the men is given a reprimand and the other is suspended from practice for 3 months.
- July 9—Police kill 7 blacks in the township of KwaThema; the police and the residents of the township give differing accounts of the killings.
- July 10—In Dudza, Bishop Desmond Tutu, the winner of the 1984 Nobel Peace Prize, saves a black man from a crowd of blacks that wanted to kill him for "collaborating" with the white government.
- July 20—The government declares that a state of emergency will go into effect tomorrow for industrial areas around Johannesburg and in the Eastern Cape in order to quell unrest in black townships.
- July 27—Foreign Minister Roelof F. Botha condemns a UN vote approving voluntary economic sanctions against South Africa; he says the black countries surrounding South Africa will pay a higher price than South Africa if sanctions are imposed.
- July 29—President P. W. Botha says he will not meet with Bishop Tutu to discuss an end to civil strife in South Africa. The government says it has detained 1,205 people since the state of emergency went into effect.
- July 30—The government recalls its ambassador-designate to the U.S.
- July 31—The government bans mass funerals for blacks killed in the areas under the state of emergency.

**SPAIN**

- July 1—A bomb explodes at the Madrid offices of British Airways, killing 1 person and wounding 27; a group called the Organization of the Oppressed takes responsibility for the attack.
- July 4—Prime Minister Felipe González appoints new foreign and economic ministers; 6 other Cabinet ministers are also replaced.

**SRI LANKA**

- July 8—Tamil separatist guerrillas and government representatives hold talks on ending the guerrilla war.

**SUDAN**

(See also *U.S., Foreign Policy*)

- July 8—Defense Minister Major General Osman Abdallah Mohamed says that Sudan has signed a military agreement with Libya.

**SYRIA**

(See also *Lebanon*)

- July 28—The government announces that it will boycott a meeting of the Arab League called by Jordan's King Hussein, the League's current chairman.

**TANZANIA**

- July 30—President Julius K. Nyerere dissolves the Parliament; parliamentary elections will be held in October.

**THAILAND**

(See *U.S., Foreign Policy*)

**UGANDA**

- July 27—Brigadier Basilio Olara Okello takes over in a bloodless military coup; President Milton Obote flees to Kenya.
- July 28—Okello suspends the constitution and closes Uganda's borders.
- July 29—Okello is sworn in as President; he says democratic elections will be held within a year.

**U.S.S.R.**

(See also *Intl, Helsinki Accords; Germany, East; Israel; U.S., Foreign Policy*)

- July 1—General Secretary Mikhail Gorbachev promotes Eduard A. Shevardnadze to full membership in the ruling Politburo; Grigori Romanov resigns from the Politburo for "reasons of health."
- July 2—The Supreme Soviet names Foreign Minister Andrei Gromyko President of the Soviet Union after Gorbachev nominates him for the post; Shevardnadze takes over Gromyko's portfolio.
- July 10—A Soviet arms negotiator in Geneva says that contrary to newspaper reports the Soviet Union is not willing to accept an arms control treaty allowing research on the space-based defense systems known as "Star Wars."
- The Soviet Union and China sign a trade accord that will double trade between the 2 countries over the next 5 years.
- July 18—Marshal Nikolai Ogarkov is reportedly named commander of the Warsaw Pact's military forces; Ogarkov was dismissed as chief of the general staff 9 months ago.
- July 19—The government tells the International Whaling Commission that the Soviet Union will halt all commercial whaling by 1987.
- July 25—The final stage of the Soviet Union's annual naval exercises in the North Atlantic ocean begins; 75 ships are taking part.
- July 30—Gorbachev announces that the Soviet Union is suspending the testing of nuclear weapons until the end of 1985; the moratorium begins on August 6.

**UNITED KINGDOM****Great Britain**

- July 5—Prime Minister Margaret Thatcher's ruling Conservative party places 3d in a parliamentary by-election in Wales; in local elections last month the Conservatives also lost to the opposition parties.

**UNITED STATES****Administration**

- July 1—Secretary of Health and Human Services Margaret M. Heckler issues new regulations that will permit the department to "adjust" Medicare payments upward to take into account costs incurred by hospitals "that serve a significantly disproportionate number" of low income patients.
- July 2—The Environmental Protection Agency orders the removal over the next 5 years of polychlorinated biphenyl compounds used as cooling fluids in electrical transformers in commercial buildings; if these fluids catch fire, carcinogenic substances are released.
- July 5—The Department of Health and Human Services publishes new regulations reducing Medicare payments subsidizing the education of interns and new lower rates for home health care; the savings are estimated at \$225 million over a 3-year period.
- July 9—Director of the Office of Management and Budget David Stockman resigns effective August 1 to join Salomon Brothers, a New York investment banking concern.
- July 11—In Virginia, the Federal Bureau of Investigation (FBI) arrests Central Intelligence Agency (CIA) clerk Shar-

on Scranage and Ghanaian Michael Soussoudis on espionage charges.

July 13—President Ronald Reagan undergoes abdominal surgery.

Before undergoing surgery, President Reagan temporarily transfers presidential power to Vice President George Bush in a letter to the President pro tempore of the Senate and the Speaker of the House; some 7 hours later, in the hospital recovery room, he revokes the transfer.

July 15—The chief of surgery at the National Cancer Institute, Doctor Steven Rosenberg, reports that the polyp removed from President Reagan's colon was malignant; he says there is a better than 50 percent chance that the President's cancer has been removed and that he will live his normal life span.

July 17—Senate Majority Leader Robert Dole (R., Kansas) reports that the White House has stopped trying to persuade the Senate to confirm William B. Reynolds as an Associate Attorney General.

July 20—President Reagan returns to the White House from Bethesda Medical Center.

President Reagan names Federal Trade Commission Chairman James C. Miller 3d to succeed David Stockman as director of the Office of Management and Budget.

July 23—The director of the Federal Emergency Management Agency, Louis O. Giuffrida, announces that he will resign on September 1 in order to take a new, unspecified position.

July 24—Carolyn K. Davis, administrator of the Health Care Financing Administration (a branch of the Department of Health and Human Services) announces her resignation, effective August 9.

July 25—A House committee accuses Louis O. Giuffrida of misconduct and mismanagement in the administration of the Federal Emergency Management Agency.

A congressional report estimates that President Reagan's tax revision plan would cut total revenue by about \$25 billion in the next five years.

### Civil Rights

July 21—Addressing the 75th annual conference of the National Urban League, its president, John E. Jacob, says that the Reagan administration's "war on affirmative action . . . is part of a reactionary world view."

### Economy

July 5—The Labor Department reports that the nation's unemployment rate held steady at 7.2 percent in June.

July 17—The New York Stock Exchange's Dow Jones Industrial Average closes at a record high of 1,357.97.

July 18—The Commerce Department reports that the nation's gross national product (GNP) grew at an annual rate of 1.7 percent in the 2d quarter of 1985, more slowly than the earlier "flash" estimate of 3.1 percent growth.

July 23—The Labor Department reports that its consumer price index rose 0.2 percent in June.

July 30—The Commerce Department reports that the U.S. foreign trade deficit was \$13.4 billion in June.

July 31—The Commerce Department reports that its index of leading economic indicators rose 1 percent in June.

### Foreign Policy

(See also *Intl, Helsinki Accords, Intl Terrorism, UN; Angola; Australia; China; Germany, East; Japan; Lebanon; Mexico; Nicaragua; South Africa; Vietnam*)

July 2—The White House reports that President Reagan and Soviet General Secretary Mikhail Gorbachev will meet for 2 days on November 19 and 20 in Geneva. The official announcement of the meeting will be made tomorrow.

July 8—Visiting Thailand, Secretary of State George Shultz

assures Thailand that the U.S. supports Thailand against any threat to that country caused by the Vietnamese occupation of Kampuchea.

President Reagan calls Iran, Libya, North Korea, Cuba and Nicaragua "a confederation of terrorist states" and accuses them of carrying out "acts of war" against the U.S.

July 9—The State Department reports "grave concern" over reports of a Sudan-Libyan military agreement.

Secretary Shultz visits the Thai-Kampuchean border and Kampuchean refugee camps on the Thai side of the border.

July 11—The State Department reports an \$8.5-million sale of portable anti-aircraft missiles to Pakistan; because the sale value is less than \$14 million, the administration does not need congressional approval.

July 17—Speaking in Honolulu, Secretary Shultz says that New Zealand "acted against its own interests" and "weakened regional stability" when it refused in February to allow a U.S. Navy ship to dock there because the ship might be carrying nuclear arms.

July 19—White House spokesman Larry Speakes announces that the U.S. will offer a reward of up to \$100,000 for information leading to "the effective prosecution" of the killers of 6 Americans in San Salvador in June.

July 22—White House spokesman Larry Speakes says that the U.S. is "very disturbed by the violence that is occurring in South Africa."

July 23—President Reagan meets with China's President Li Xiannian; they agree on a pact providing for the sale of nonmilitary nuclear technology to China; the pact is signed by Energy Secretary John Herrington and China's Deputy Prime Minister Li Peng.

July 26—Speakes says that the U.S. is asking the South African government to lift the emergency decrees in South Africa and to "respect the fundamental rights of all South Africans."

July 29—The White House announces that President Reagan has invited the Soviet Union to send observers to an underground nuclear test in Nevada.

State Department spokesman Charles Redman says that the U.S. is disappointed that South Africa's President P. W. Botha has refused to meet with South African Bishop Desmond M. Tutu to discuss the racial crisis in South Africa.

Secretary of State Shultz says he doubts that the Soviet Union is sincere in its proposed 5-month moratorium on nuclear testing; he says it is not "in our interest to stop our testing program. . . ."

July 30—The Department of Transportation announces a preliminary agreement with Japan and the Soviet Union on ways to improve the safety of civilian planes flying North Pacific air routes.

July 31—Secretary Shultz meets with Soviet Foreign Minister Eduard Shevardnadze in Helsinki to discuss the November summit meeting between President Reagan and Soviet General Secretary Gorbachev in Geneva.

### Legislation

(See also *China; Japan*)

July 8—Congress reconvenes after a 10-day recess.

July 9—Voting 79 to 15, the Senate approves a bill making it easier to buy, sell and transport firearms, thus diluting the 1968 gun control law.

The House votes 288 to 122 in favor of granting \$5 million in military and economic aid to the non-Communist rebels opposing the Vietnamese occupation of Kampuchea.

July 11—In a voice vote, the House approves a \$12.6-billion foreign aid bill. Since the Senate approved a \$12.8-billion bill, the measure goes to conference.

July 16—The Senate approves Richard Burt as ambassador to West Germany; Rozanne Ridgway as assistant secretary of

state for European Affairs; and Edwin Corr as ambassador to El Salvador. Twenty-six other diplomatic posts are also approved by voice votes; North Carolina Senator Jesse Helms delayed the confirmations for over a month.

July 23—Voting 340 to 83, the House votes to renew the Clean Water Act, providing for a 9-year program that will cost up to \$21 billion for sewer treatment facilities.

July 24—Senate Majority Leader Robert Dole (R., Kansas) removes from Senate consideration a bill that would have allowed the President to veto individual items in spending bills (a line-item veto); the Senate failed 3 times to halt a week-long filibuster against the bill.

July 25—Voting 360 to 12, the House gives the Pacific Islands of Micronesia and the Marshall Islands independent status; the islands will still rely on the U.S. for defense. The measure now goes to the Senate.

July 30—The impasse in the Senate over the budget for fiscal 1986 continues as House and Senate budget conferees try to reach agreement: Senate majority leader Robert Dole refuses to attend the weekly meeting at the White House between President Reagan and Republican leaders; among items under discussion between House and Senate are proposals to reduce the federal deficit by cuts in Social Security cost of living increases and pensions and suggestions for \$58 billion in new taxes.

Voting 94 to 5, the Senate approves the \$305.2-billion compromise military budget for fiscal 1986. The House will vote on this compromise when it returns from recess in September.

July 31—House and Senate conferees agree on a bill imposing economic sanctions on South Africa.

House and Senate conferees again fail to agree on a compromise budget for fiscal 1986.

The House votes 262 to 161 to approve a 2-year, \$25.4-billion foreign aid bill; the Senate approved the bill yesterday by voice vote and it now goes to President Reagan.

### Science and Space

July 29—Despite the failure of 1 of its 3 engines shortly after blast-off, the space shuttle *Challenger* continues its mission.

### Supreme Court

July 1—Voting 5 to 4, the Supreme Court upholds lower court decisions in New York and Michigan ruling that it is unconstitutional for public school teachers to be sent into parochial school classrooms for remedial or enrichment programs; programs providing such services provide a "symbolic union of government and religion."

### VATICAN

July 2—Pope John Paul II issues an encyclical calling for religious liberty in East Europe and better relations with the Eastern Orthodox Church.

### VIETNAM

July 7—U.S. State Department officials traveling in Southeast Asia report that Vietnam has promised to return the bodies of 26 Americans killed in the Vietnam War; last week Vietnam offered to accelerate and conclude within 2 years the search for missing American soldiers.

### ZIMBABWE

July 6—In Zimbabwe's 1st general elections since independence, Prime Minister Robert Mugabe's ruling Zimbabwe African National Union—Patriotic Front wins 63 of the 80 seats in Parliament that are reserved for blacks; 20 seats are reserved for whites.

July 8—About 600 homes of supporters of opposition leader Joshua Nkomo are raided by the supporters of Robert Mugabe.

July 24—Parliament renews the state of emergency. ■

## BOOK REVIEWS

(Continued from page 272)

**FOOD GRAIN PROCUREMENT AND CONSUMPTION IN CHINA.** By *Kenneth R. Walker*. (Cambridge: Cambridge University Press, 1984. 329 pages, notes, appendixes and index, \$37.50.)

**ZHOU ENLAI: A BIOGRAPHY.** By *Dick Wilson*. (New York: Viking, 1984. 349 pages, notes and index, \$17.95.)

**ZHOU ENLAI AND DENG XIAOPING IN THE CHINESE LEADERSHIP SUCCESSION CRISIS.** By *David W. Chang*. (Lanham, MD: University Press of America, 1984. 410 pages, notes, appendix and index, \$27.00, cloth; \$15.75, paper.)

**AMERICANS AND CHINESE REFORM AND REVOLUTION, 1898–1922.** By *Key Ray Chong*. (Lanham, MD: University Press of America, 1984. 322 pages, notes and index, \$24.75, cloth; \$13.75, paper.)

## MISCELLANEOUS

**THE WISE MEN OF FOREIGN AFFAIRS: THE HISTORY OF THE COUNCIL ON FOREIGN RELATIONS.** By *Robert D. Schulzinger*. (New York: Columbia University Press, 1984. 342 pages, notes, bibliography and index, \$27.50.)

The influence of the Council on Foreign Relations is traced in this detailed and fascinating account of the efforts of an intellectual centrist group to make a contribution to the foreign policy of the country. It puts to rest both the conspiracy theory of foreign affairs formulation and the notion that the wise and well-educated can protect the rest of us from foreign entanglements and other follies.

From its birth at the Paris Peace Conference in 1919 to the present, this organization of the "wise men of foreign affairs" has worked to influence American foreign policy and has often succeeded. As the author points out, the Council was "founded to provide private foreign affairs information to important figures and offer a platform for diplomats, financiers, academics, reporters, and statesmanlike politicians; it enjoyed its greatest successes from the 1920's to the 1960's. . . ." The Council funds the influential journal *Foreign Affairs* and many other publications.

Most unfortunately, the book's quality is obscured by a number of typographical and even grammatical errors. C.L.T. ■

**ERRATUM:** We regret that the introductory quote in the article "Uganda's Uncertain Quest for Recovery," by Nelson Kasfir (April, 1985) did not mention the author's conclusions about the benefits Uganda experienced under President Milton Obote. The selection of the introductory material was made by an editor, not the author.



## ASSESSING UNITED STATES-CHINA RELATIONS

(Continued from page 247)

formula of "one country, two systems" marked a significant step in the peaceful reunification of the nation. This formula allows Hong Kong (and Taiwan) to keep their capitalist systems for a long period. Within the unified nation both socialist and capitalist systems can coexist, support, complement and compete with one another. The terms offered under this formula to Taiwan, as Chinese leaders have made it clear on many occasions, are more generous than the terms offered to Hong Kong. For instance, after reunification, Taiwan will retain its existing local political, economic and social structure as well as its armed forces. The formula of "one country, two systems" is a major policy decision of China's government, and was taken after a comprehensive analysis.

The peaceful settlement of the Taiwan issue will serve not only the interests of China and the Asian Pacific region, but also the interests of the United States. Surprisingly, the United States government, while repeatedly signaling its interest in the peaceful resolution of the Taiwan issue, maintains silence on China's proposition of "one country, two systems."

China-United States economic cooperation will be expanded. Given the interplay between economic and political relations, Sino-American economic cooperation will strengthen diplomatic relations. The United States is the world's largest industrial country. China is the world's largest developing country, with rich natural resources and a huge market. The two countries can be mutually complementary. The potential for economic cooperation is enormous.

Sino-American economic relations include trade, economic and technological cooperation (investment), and technology transfer. In 1984 bilateral trade volume between the United States and China reached a record \$6 billion as compared with less than \$100 million in 1972. The United States is first in terms of private investment in China. The total figure amounts to over \$1 billion dollars involving more than a 100 agreements on joint ventures, cooperative enterprises and compensation trade. The areas covered range from energy and machinery to light industry and service. Since the restriction on technology transfer to China was relaxed by the United States government in 1983, technology export to China has been increasing; it reached \$2 billion in 1984.

### PROBLEMS

However, problems remain. For instance, protectionism in the United States, particularly with regard to the

textile trade, has been on the increase. Sino-American agreements on textiles have been unilaterally violated time and again by the United States. Although China is regarded as a friendly, nonallied country, some outdated United States legislation discriminating against China remains. These laws, which inhibit long-term investment and bilateral trade, include the 1961 Foreign Assistance Act, providing that an Export-Import Bank loan exceeding \$50 million must be approved by the President; congressional review of the most-favored-nation treatment for China year by year; and the refusal of the United States government to give China a generalized system of preferences.

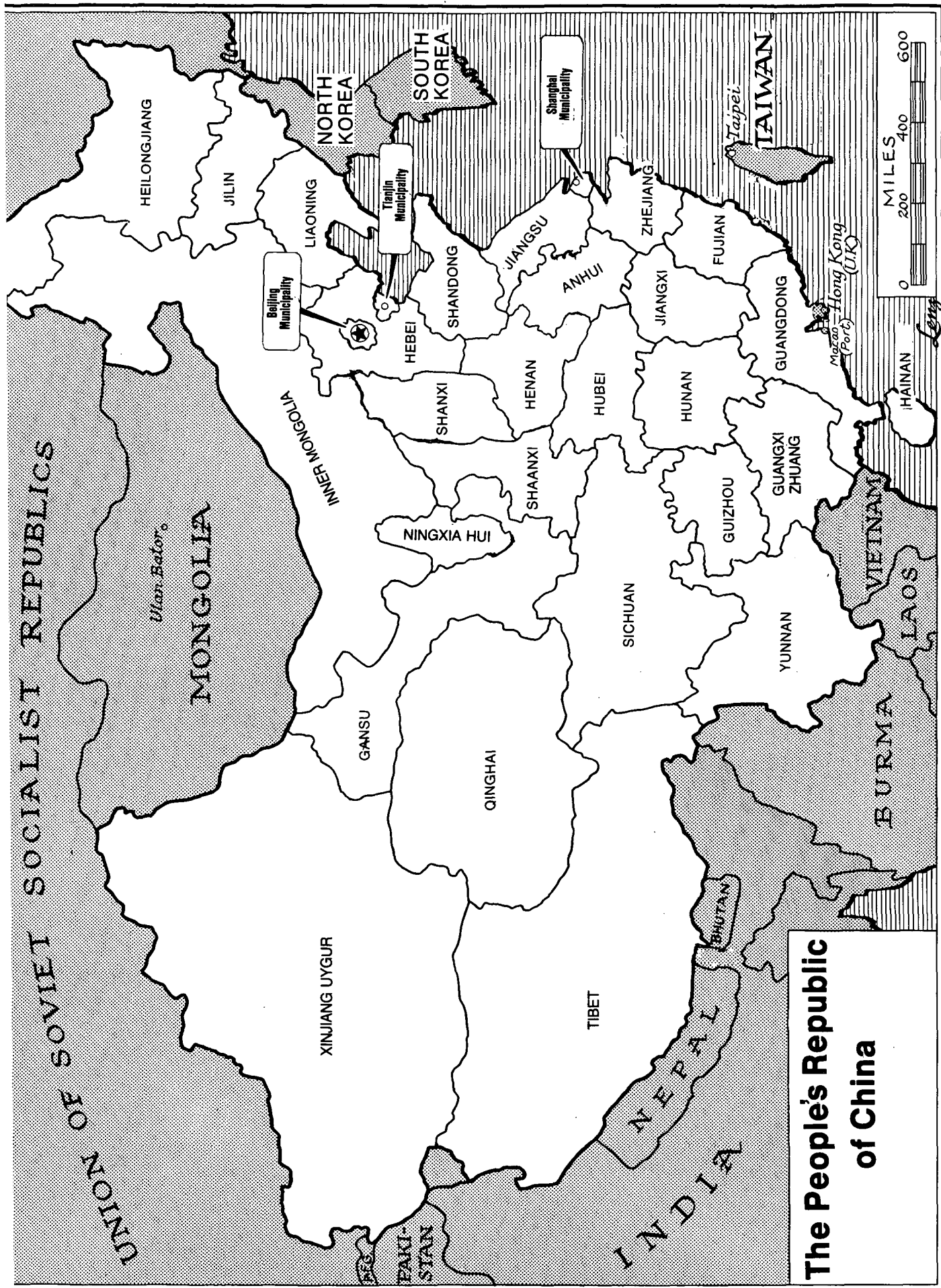
Although there has been a welcome improvement in United States technology transfers to China, unnecessary restrictions and delays are still a fact of life. Among the "Group V" countries, China is the only one whose technology imports from the United States remain subject to United States national security review and to the approval of the Coordinating Committee for Multilateral Export Controls (COCOM). Of late, many American businessmen, according to the *Washington Post*, are urging the exemption of United States exports to China from review by COCOM.<sup>7</sup>

Of course, China must also improve its own foreign trade mechanism, readjust and diversify its exports to the United States, and continue to perfect laws and regulations concerning foreign economic relations. It is China's policy to open up to the outside world. In this connection, China has already adopted a number of important measures, including a new patent law, the opening of 14 coastal cities and Hainan Island to foreign investment (in addition to the four original special economic zones), and attractive tax incentives. The Chinese planners are concentrating on infrastructure, like energy and transportation, and on upgrading hundreds of thousands of enterprises. American participation would be particularly welcomed in the construction of large hydroelectric and nuclear power stations.

Along with modernizations, a prosperous, strong China may become an important trading partner and a competitive counterpart for the United States. The healthy competition may stimulate economic growth in both countries.

Finally, contacts between the leaders and the peoples of the two countries should be strengthened. For the past few years, the exchange of visits by high-ranking officials of China and the United States have been increasing. Communications in the scientific and cultural fields are growing. There are more Chinese students studying in the United States than in any other foreign country. Mutual understanding and friendship between peoples significantly influence the further development of bilateral relations. Contacts, both official and unofficial, should be encouraged, since the improvement of Sino-American relations will not only benefit the two peoples, but will contribute to peace and stability in Asia and the world. ■

<sup>7</sup>*Washington Post*, March 5, 1985. COCOM was established in 1949 as part of the North Atlantic Treaty Organization (NATO). Its membership is classified, but apparently all NATO nations except Iceland are members; Japan is also a member.



# The People's Republic of China

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